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# ***JPRS Report***

# **China**

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# China

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**Chen Yeping on Public Supervision of Leadership**

92CM0232B Zhengzhou LINGDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese No 1,  
11 Jan 92 p 4

[Article by Chen Yeping (7115 6851 5393), member of the CPC Central Advisory Commission and formerly director of the CPC Central Committee Organization Department: "Strengthen Supervision of Leading Cadres by the Masses"]

[Text] Most of the political powers in history were unable to escape the cyclic phenomena of rise and fall. In 1945, Comrade Mao Zedong, in answering a friend on whether the communist party could escape from this cycle, pointed out: Our party has found democracy, the road to escape the historical cycle by letting the people supervise the government. Relying on developing socialist democracy and relying on supervision by the masses of the people to prevent leading cadres of the party and state at all levels from corruption and separation from the masses—this is an important idea of Comrade Mao Zedong against peaceful evolution. In the new situation, we should study and practice this idea very diligently.

In 1962, Comrade Deng Xiaoping, when receiving the comrades attending the organizational work conference and the national supervisory work conference, pointed out: Supervision of leading cadres should be carried out in five ways, namely, supervision through party activities, supervision by democratic centralism, supervision by party members and the masses, supervision by the party's supervisory system, and supervision by the organization departments under the cadre appraisal system. Of the five kinds of supervision, the most important should be supervision by the masses. To strengthen supervision of leading party and government cadres at all levels by the masses and to make the leading cadres at all levels conscientiously accept this kind of supervision, it is necessary to rely on education and to have a system. It is necessary to establish and perfect a system of supervision from within and without the party, supervision from top to bottom and from bottom to top, and mutual supervision between fellow cadres, so as to form a mechanism for the masses to supervise the cadres and the cadres to consciously place themselves under the masses' supervision. Now there are cadres who hold themselves responsible only to their superiors and not to those under them, and who only try to satisfy the leadership and not to do things for the masses. Their "holding themselves responsible to their superiors" is, to put it bluntly, also a sham. By establishing a mechanism of cadre supervision by the masses, organizing the masses to take part in cadre examination, appraisal, and appointment under the party's leadership, giving the masses the right to recommend outstanding cadres and impeach those unfit for the jobs they currently hold, and making cadres "fear" the masses and constantly keep the masses in mind, the cadres at all levels will be impelled to better hold themselves responsible to both the higher

organizations and the masses, remain modest and prudent, and conscientiously perform their duties as public servants of the people.

In the past few years, under the party Central Committee's leadership, we have established quite a few good systems in promoting supervision by the masses, and various localities and departments have also explored and created many excellent practices. Here I want to emphasize the practice of democratic discussion and appraisal of party-member-leading cadres.

The democratic discussion and appraisal of leading cadres is a new creation. The CPC Central Committee Organization Department in 1986 circulated the plans of Guangdong Province and Beijing Municipality on the development of this practice. Most provinces, autonomous regions, and municipalities have begun to develop the practice on a broad scale. Experience has shown that this is a very good way to strengthen the masses' sense of responsibility as masters, enhance the consciousness of leading cadres at all levels as public servants, increase the mutual understanding among cadres, and forge closer ties between the party and the masses, between cadres and the masses, and between ordinary cadres and leading cadres. At present, there are still places, where this practice has not been really implemented. It has something to do with the muddleheadedness of some of the leaders. For example, some leaders feel that the democratic discussion and appraisal of leading cadres can be used to attack cadres who normally have the courage to adhere to principle. I think this phenomenon may occur in places where the social atmosphere is unhealthy. However, generally speaking, we should not underestimate the masses' awareness, and we should trust that the appraisal of cadres made by the overwhelming majority of the masses is fair and just.

Some comrades feel that the masses are not enthusiastic about the democratic discussion and appraisal of leading cadres, and they fear that it will be difficult to promote this practice. Judging by the experience of some localities, the masses in most of the places are very enthusiastic about the practice, and only a very few are not enthusiastic. A careful analysis of the reasons for the lack of enthusiasm has shown that it is precisely because we have not done a good job and failed to use the results of the democratic discussion and appraisal in rewarding, punishing, and appointing cadres and in urging cadres to improve their performance, and the masses feel that the discussion and appraisal is useless. A few leading cadres even retaliate against the cadres and the masses who have expressed unfavorable opinions on them, and the masses are discouraged. This shows that our organizations are to blame for the lack of enthusiasm among some of the masses, and not the masses themselves. The organizations concerned should learn a lesson from the experience and improve their own work, and they should not draw a wrong conclusion and discard the proven effective practice of democratic discussion and appraisal.

At the national conference of directors of organization departments of provincial, regional, and municipal party committees in 1990, Comrade Lu Feng [0712 2800] suggested that from now on emphasis should be placed on democratic discussion and appraisal as a link in annual evaluation of cadres. I fully agree with him. Comrade Lu Feng also suggested to expand the objects of democratic discussion and appraisal to include senior party and government cadres at the provincial and ministerial level. I think this is very necessary. The senior cadres hold very important powers, and if they conscientiously perform their duties, they can make greater contributions to the party and the people. Otherwise, they can cause very great losses to the cause of the party and the people. Therefore, the supervision of this part of cadres should be strengthened. Moreover, success in the democratic discussion and appraisal of senior cadres at the provincial and ministerial level will also give great impetus to the democratic discussion and appraisal of cadres at the prefectural (city) and county levels and bring into fuller play the role of this practice in strengthening the supervision of cadres at all levels by the masses and enhancing the relations between the party and the masses and between the cadres and the masses.

#### **Wang Mengkui on Experiences of Economic Reform**

92CM0232A Zhengzhou LINGDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese No 1,  
11 Jan 92 pp 9-10

[Article by Wang Mengkui (3769 1125 1145), deputy director of the State Council Research Office: "Some Basic Experiences of China's Economic Structural Reform"]

[Text] China's economic structural reform has achieved great successes not because the economic reform is followed by political reform, but because:

1. China's economic structural reform is being carried out on the premise of maintaining political stability, that is, on the premise of upholding the leadership of the communist party and the socialist system. This has provided a stable social environment for the economic reform and insured the reform's socialist orientation. Thus the reform means self-perfection and development of the socialist system. Our reform and opening to the outside world is socialist reform and opening to the outside world, and our purpose is to promote the development of the productive forces and the overall progress of society and constantly increase the vigor and vitality of the socialist system. It won't do without reform and opening to the outside world, but reform and opening to the outside world won't work without adhering to the socialist orientation. From the successes and failures of the reform and opening to the outside world in the past 12 years, the Chinese communists and Chinese people have reached this conclusion. The serious setbacks suffered by some socialist countries have further deepened

our understanding. Adhering to the socialist orientation means adhering to the four cardinal principles. Socialist reform and opening to the outside world and the four cardinal principles are interlocked and interdependent. The two unite in the concrete practice of building socialism with Chinese characteristics. The success of China's reform and opening to the outside world is achieved on the premise of adhering to the four cardinal principles. It is a victory of the four cardinal principles, and at the same time the four cardinal principles have been further enriched in content. There is no need to conceal the fact that in the great tide of China's reform and opening to the outside world, there are capitalist countercurrents. However, the Chinese Communist Party made it clear at the very beginning of the reform and opening to the outside world that it is necessary to adhere to the four cardinal principles and has in the past 10 years and more repeatedly stressed the need to oppose bourgeois liberalization and adhere to the basic line of "one focus and two basic points." [refers to making economic development the nation's central task while adhering to the four cardinal principles and persevering in reform and opening to the outside world.] This is an indication of the maturity of the Chinese Communist Party politically and theoretically. In retrospect, we can see even more clearly the great and profound significance of adhering to the four cardinal principles. If we failed to do so, but pursued the so-called "democratic and humane socialism" and forsook the four cardinal principles, the whole country would be thrown into chaos. It would be impossible for the economic reform to develop soundly and achieve success. To continue the reform in depth under the complicated situation at home and abroad in the 1990's, we must pay full attention to this basic experience.

2. China's economic structural reform is being carried out on the basis of scientifically summing up past experiences and lessons, fully affirming the achievements, and conscientiously correcting the mistakes. This has made it possible to carry out economic reforms actively and safely and avoid moving from one extreme to another. In fact, in the first 30 years after the founding of the People's Republic, although mistakes were made, we still won great victories in socialist revolution and construction. The economic structure of that period was the product of social, economic, and historical conditions and played a positive role in China's social and economic development. Reform is necessary, and to explain this necessity, it is necessary to criticize past shortcomings and correct past mistakes. However, such criticism must be based on facts and must be appropriate. If we negate everything, forget all that has been accomplished, and conclude that nothing right has been done in the past decades, we will stray onto the evil path to negate the party's leadership and the socialist system. There is no need to deny that such adverse currents do exist in China. However, at the beginning of the reform and opening to the outside world, the "Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China," adopted



by the Sixth Plenary Session of the 11th CPC Central Committee in 1981, while pointing out shortcomings and mistakes, affirmed according to facts the achievements in the 32 years since the founding of the People's Republic and affirmed the historical role of Mao Zedong and the banner of Mao Zedong thought, thus achieving unity in people's thinking. Its importance is more clear now than then. If there was no such a resolution, and the ideological trend of that time to negate the achievements in socialist revolution and construction since the founding of the People's Republic and to negate the historical role of Mao Zedong and the banner of Mao Zedong thought was allowed to spread unchecked, the whole country would also be thrown into chaos, and it would be impossible for the economic reform to develop healthily and achieve success. Everything that took place before today is history, and now the 1980's have become history. We can only move forward on the basis of the 1980's. In continuing the economic reform in the 1990's, we should make a historical analysis of the successes and failures of the reform measures of the 1980's in the same manner.

3. China's economic structural reform is proceeding in an orderly way and step by step on the basis of constantly summing up experiences gained in practice. The reform is rather the self-improvement than the complete overthrow of the socialist system. In this sense, the reform can be called an improvement. But considering the profoundness of the changes, the reform is in essence also a revolution. The economic structure is a complex system, and the entire social economy is an even greater and more complex system, with components which are interrelated in countless ways, and none of which exists in isolation. Under the objective conditions in China in the present stage, only by giving proper consideration to the interests of all sides will it be possible to push forward the reform steadily without causing a great shock to society. Reform measures should give consideration to the tolerance of the state, the enterprises, the people, and so forth. Our economic reform was started in the rural areas. The implementation of the system of contracted responsibilities on the household basis with remuneration linked to output and the establishment of the township governments have naturally and even imperceptibly put an end to the rural people's commune system which have existed for more than 20 years. This is a major change not only of the economic system but also of the political system. That so profound a social change has caused almost no shock cannot but be called a very great success, a demonstration of a superb art of leadership. The reform in cities, which has developed under the inspiration and encouragement from the success of the rural reform, is also proceeding step by step. Progress differs greatly from place to place. Some reform measures seem to be rather "feeble," even further diluted with compromises. Sometimes original plans are revised to slow down the pace of reform. Nevertheless, many small steps add up to a long distance. Looking back now, people have to acknowledge that compared with what we had at the beginning of the reform and opening

to the outside world, we have already made a long way ahead. This gradual reform has avoided giving society a great shock and insured the steady growth of production. Increasing production and improving living standard for the people have laid the foundation for the continued deepening of the reform. Just think. If, without proceeding from the realities and constantly summing up new experiences gained from practice, we had shut ourselves up behind closed doors to make reform plans with detailed time schedules, which might look perfect, we could not have accomplished anything.

4. China's economic structural reform is being carried out under the general program of building socialism with Chinese characteristics. Building socialism with Chinese characteristics means proceeding from China's conditions in building socialism and building socialism which is suited to China's conditions. The former refers to the starting point and specific path, and the latter refers to the objective. In other words, China should have its own characteristics not only in the starting point and specific path of its economic reform and opening to the outside world and its socialist modernization, but also in the objectives of the economic reform and socialist modernization. Socialism with Chinese characteristics is, of course, socialism in the first place, and it has the common character of the socialist system, which distinguishes it from the capitalist and other social systems. The phrase with Chinese characteristics refers to the special characteristics of China's socialist system, which distinguishes China from other socialist countries. Persisting in taking the road of building socialism with Chinese characteristics, we will be able to avoid making rightist mistakes, deviating from socialism, as well as "leftist" mistakes, failing to pay attention to China's conditions. This is a creative application and development of the ideological line of seeking truth from facts in the course of the reform and opening to the outside world and the modernization drive. Without a doubt, in the course of the reform and opening to the outside world and the modernization drive, China must earnestly learn from the good experiences of all countries and nations of the world and must not close its doors to international intercourse. However, because China is a big country with a backward economy and very uneven development, and because it has a long-standing historical and cultural tradition and has for a long time followed a unique development road which is different from other countries, it is impossible for China to completely copy other countries' methods in its own economic construction and economic reform. Instead, it must proceed from its own conditions and find its way ahead through practice. As the starting point for us to move forward, our national conditions must be grasped as a whole, including economic and political conditions, social and cultural conditions, and positive and negative conditions, that is, the sum total of all conditions, the living reality, in China in the present stage. As to other countries' experiences, we can only choose and follow the good ones and use them for reference. In this way we will also maintain the independence of our economic reform. China's economic structural reform is being

carried out by the Chinese people independently under the leadership of the Chinese Communist Party, which is the fundamental guarantee for the reform to succeed. Just think. If we invite a foreign country to design a reform program for China, it certainly will not work.

The tasks of China's economic structural reform are different in the 1990's from the 1980's. The domestic

and international situation has also changed a great deal. However, so long as we adhere to the ideological line of seeking truth from facts, proceed from the actual conditions in everything we do, and conscientiously sum up and bear in mind the experiences and lessons of reform in China and other countries in the 1980's, we will be able to achieve the desired results in our economic structural reform.

## NATIONAL AFFAIRS, POLICY

### Price Subsidy Negative Effects, Remedies

92CE0362A Beijing JIAGE LILUN YU SHIJIAN  
[PRICE: THEORY AND PRACTICE] in Chinese No 1,  
20 Jan 92 pp 28-30

[Article by Gao Peiyi (7559 3805 5030): "Negative Effects of Price Subsidies and Suggestions for Improvement"]

[Text] Price subsidies are an important element of economic policy. If used properly, they are beneficial to economic development and social stability. There are many countries in the world that have adopted this economic policy. China's price subsidy policy began in 1953. At that time, it was limited to just one item, wadding cotton. Later the scope and amount of price subsidies increased year by year. Especially since the reforms of 1979, the scope of price subsidies has become broader and broader, and the amount of money involved greater and greater. In terms of absolute amount, the highest annual price subsidies reached 37.863 billion yuan (1990), 756 times more than 1953. In relative terms, the greatest share of price subsidies accounted for 30.08 percent of government revenues, and accounted for 29.39 percent of government spending in that year (1981).

Price Subsidies, 1978-1990 (unit: 100 million yuan)

Year	Price Subsidies	Financial Subsidies	Price Subsidies as Percent of Financial Subsidies	Government Revenue	Price Subsidies as Percent of Government Revenue	Government Spending	Price Subsidies as Percent of Government Spending
1978	93.86	160.0	58.66	1121.1	8.37	1111.0	8.45
1979	180.71	276.4	65.38	1103.3	16.38	1273.9	14.19
1980	242.07	338.4	71.53	1085.2	22.31	1212.7	19.96
1981	327.72	441.2	74.28	1089.5	30.08	1115.0	29.39
1982	318.36	416.5	76.44	1124.0	28.32	1153.3	27.60
1983	342.13	500.0	68.43	1249.0	27.39	1292.5	26.47
1984	370.00	484.8	76.32	1501.9	24.64	1546.4	23.93
1985	299.47	494.8	60.52	1866.4	16.05	1844.8	16.23
1986	284.47	646.7	43.99	2260.3	12.59	2330.8	12.20
1987	294.05	734.7	40.02	2346.6	12.53	2426.9	12.11
1988	316.82	763.0	41.55	2587.8	12.25	2668.3	11.88
1989	373.55	915.0	43.00	2856.8	14.34	2930.8	13.90
1990	378.63	957.1	40.00	3244.9	12.28	3395.21	10.00

Source: Statistical Yearbook of China, 1990 edition; RENMIN RIBAO, 12 Apr 1991 p 3; NANKAI JINGJI YANJIU No 1, 1990.

After 1979, China's price subsidies became a major tool for supporting price reform to initiate reform of the whole economic system. In the early days of reform, it was absolutely necessary to give appropriate price subsidies, within a certain scope, to diminish the risk and resistance to reform, and to enhance the economic and psychological ability of enterprises and the masses to accept reform, so as to assure its trouble-free implementation. For instance, in 1979 procurement prices of agricultural products were greatly increased, but the uniform selling price was unchanged, and it was necessary to give price subsidies to enterprises engaged in state monopoly sales. Another example, later when pork prices and other nonstaple food were deregulated, subsidies were given to urban residents to prevent price increases from affecting their living standards. There are other examples.

In the beginning, because it was done in a relatively appropriate way, implementation of price subsidies did,

to a certain extent, advance the development of production, stabilize market prices, protect the consumer interests, and reduce resistance to price reform. Many major items in price reform very possibly could not have happened without the accompaniment of a certain amount of price subsidies, and even if they had happened, they very possibly would have had serious consequences. In this sense, the price subsidy policy was effective.

For various reasons, as price reform proceeded, and more and more prices were decontrolled, the overuse of price subsidies became more and more serious. Their scope became broader and broader, their amounts became larger and larger, and their effectiveness became poorer and poorer, to the point where they produced obvious negative effects.

The negative effects of price subsidies most conspicuously appear in the following several respects:

First, it creates new resistance to price reform. Because price subsidies are too broad in scope, cover a great variety of items, involve large sums of money and have continued for so long, the enterprises and residents who enjoy the subsidies have developed a kind of psychological inertia. They believe that whenever there is a reform, there must be subsidy; and whenever a subsidy is given, it must be sufficient. Moreover, they always feel that it is insufficient; their expectations are ever higher, and their appetites ever larger. Subsidies are no longer a security measure against price reform; on the contrary, they have become a way for certain enterprises and residents to get rich. The result is that price subsidies do not enhance the ability or willingness of enterprises and residents to accept price reform; on the contrary, they reduce their ability to accept price reform, and add new resistance to it.

Second, the burden on the national treasury is daily growing heavier, and the allocation of government revenue is distorted. From 1978 to 1990, excluding rent subsidies, housing subsidies and the various kinds of subsidies mandated independently by various localities and units, the grand total of price subsidies was almost 400 billion yuan. Adding in subsidies for losses at enterprises, total financial subsidies climbs to 720 billion yuan, approximately one-third of government revenue. If rent subsidies and housing subsidies (housing sales at preferential prices) as well as subsidies mandated independently by localities and units are included, then it exceeds 50 percent of government revenue. Price subsidies take a larger share of government spending than any other item except capital construction.

There is no such thing as a free lunch. Looking at it objectively, the source of the money for financial subsidies is national government revenue, and national revenue comes ultimately from enterprises and residents of the cities and the countryside. If China needs money, then in the end it is from enterprises and residents of the cities and the countryside that it must get it. At the same time, burdens on the enterprises and the residents of the cities and the countryside arising from illegitimate channels (such as illegitimate charges, improperly allocating expenses, excessive price increases, etc.) will also increase constantly. A burden on the treasury is a burden on the nation, and the entire people, whereas the real beneficiaries of price subsidies are only a small part of the people, at most not exceeding 30 percent of China's total population.

Third, it leads to new distortions in relative price relationships, throwing a price system that was beginning to become rational into disorder all over again. With price subsidies, the prices of directly subsidized enterprises cannot reflect their real costs. Therefore, price relationships between subsidized products and related products are distorted, creating a situation where enterprises' accounting results do not reflect reality, and create false costs and profits. Even some money-losing enterprises can become profitable because they enjoy price subsidies. Employee bonuses and benefits at this kind of

enterprise mainly come from the fact that the enterprise enjoys price subsidies. This has many negative effects on production and circulation, and at the same time increases the difficulty of price reform, wage reform, and reform of the whole economic system.

Fourth, it leads to maladjustments in income distribution, and creates new inequities in social distribution. Of the nearly 40 billion yuan of price subsidies paid in a year, about 80 percent is for nonstaple agricultural products consumed by urban residents. China on the one hand resorts to administrative power to buy agricultural products from farmers at low prices, and on the other hand gives large amounts of subsidies to urban residents without compensation. In this sense, when we say that price subsidies add to China's financial burdens, we really mean it adds to the burden on farmers.

Comparing cities, big city residents get the most benefits from the huge sums paid in price subsidies, while residents of middle and small cities get less, and residents of county seats and villages get still less. Other things being equal, enterprises that are savvy at getting price subsidies and that have connections at the top get the most, while enterprises that are conscientious, diligent and honest get less. Obviously, unreasonable price subsidies have the negative effect of rewarding laziness and penalizing work.

Fifth, because there are many loopholes in the present system of price subsidies, it has become one of the important root sources for various kinds of unhealthy tendencies and corrupt practices.

At present, there is a deep feeling that there is not enough revenue for price subsidies. China's financial troubles are worsening; foreign and domestic debt is ceaselessly increasing; enterprise efficiency is falling, and losses are serious; agricultural production is shrinking, and farmers' income continues to decline, while the disparity in income between industry and agriculture, and price differential between industrial and agricultural products is widening further. The present system of price subsidies is already at the point where there is no alternative to thorough reform. The following improvements are urgently needed:

First, severely restrict the scope, and reduce the amount of price subsidies.

As far as production is concerned, to maintain production temporarily by means of price subsidies is permissible only in the cases of those products where violent price swings will arise after decontrol, where the national fixed price is far lower than the market price, and where losses result from the fact that the prices paid to the factory do not reflect the value of its products. It is not appropriate to maintain subsidies for long, because negative effects will result. As soon as conditions are right we should decontrol prices, and cancel subsidies. For the time being, prices cannot be decontrolled, and the nation should adjust prices step by step so that they approximately correspond to product value.



As far as distribution is concerned, subsidies are permissible only for state-run enterprises that deal in products that the nation has designated for sales at a loss, and only when losses result because it is difficult, for the moment, to raise prices. While subsidies are being given, economic accounting policies must be strictly enforced. Improper claims of business expenses absolutely must not be permitted. Administrative factors leading to losses must be eliminated. Even this kind of subsidy should not be maintained for too long a time. The problem of sales at a loss should be solved as quickly as possible; depending on the support of price subsidies over the long term will certainly produce serious negative effects, and the larger the subsidies, the greater the negative effects will be.

As far as the consumer is concerned, modest subsidies can be given to residents only when, in the process of price reform, either the nation raises prices or else, because wages cannot keep up with prices, there are declines or instability in living standards. But subsidies should not exceed the amount of the increase in living expenses, or continue for too long a time. As soon as it is possible, the problem should be solved in a basic way by rationalizing the relations between wages and prices.

Second, we must adjust the subsidy allocation structure, and improve the ways subsidies are given. The unreasonable price subsidy structure is manifest mainly in two areas. The first is that cities are over-subsidized and rural areas are under-subsidized. The second is that distribution links are subsidized too much, and production links too little. For instance, price subsidies to support agricultural production came to 2.2 billion yuan in 1979, but dropped to 615 million yuan by 1986. If this kind of price subsidy allocation structure is not changed before it is too late, then it will be extremely detrimental both to price reform, and to the development of the national economy. Realistically, price reform will still need a certain amount of support from price subsidies for some time to come, but we must adjust the present unreasonable subsidy allocation structure, and improve the present unreasonable methods of subsidization. From now on price subsidies should be given to production, consumption and distribution in that order, subsidizing production links to increase supplies, accomplish an approximate balance between supply and demand, and rationalize price relations. Subsidies to consumers can reassure the public, and enable us to carry out price reform smoothly, but they should not be too great in amount or last too long a time. We should subsidize distribution links only when it really cannot be helped. The phenomenon of distributors making money because of unreasonable prices should be gradually eliminated by means of reforms in the distribution system. It cannot be maintained by price subsidies.

Third is to clarify the principles behind price subsidies, stress the key points, and raise the effectiveness of subsidies. There are definitely many reasons why the effectiveness of price subsidies is poor, but one of the important reasons is that the principles are not clear and

the important points are not stressed. Based on the lessons of past experience, from now on we should adhere to the following several major principles: (1) Price subsidies should be in the service of price reform, the central point being to reduce the risks of price reform, and enhance the ability of enterprises and the masses to accept price reform; (2) they must simultaneously take account of the government's financial resources, and the interests of both producers and consumers, upholding the principle of all three sharing the burden together; (3) with the law of value as its basis and guided by the supply and demand situation in the market, they must reward work and penalize laziness, to prevent price subsidies from creating new inequities in income distribution; (4) they must coordinate with fiscal, revenue, monetary, and wage policies as well as the whole economic system.

### **Analysis of Protection of State Assets**

92CE0354A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 13 Feb 92 p 4

[Article by Liu Taosheng: "Analysis of and Thoughts on the Maintenance and Increase of the Value of State Assets"]

[Text] Since 1987, there has been a continuous decline in the amount of allocated depreciation compensation funds in China. Economic circles are concerned about this. To safeguard the achievements of socialist construction, we need to, on the basis of quantitative macroeconomic analysis, conduct further in-depth thinking on the issue, find the cause of the problem, and suggest ways and measures to solve the problem.

### **Analysis of the causes for the recent years' decline in the amount of depreciation compensation funds for state assets**

1. **Causes relating to enterprises.** Since implementation of the system of operation based on contract responsibility in enterprises owned by the whole people, ownership rights over state assets has been separated from management rights. The contractor (a legal person) has such operation rights as the rights of use, disposition, and income distribution regarding state assets; the forms of realization for those rights are also clear. However, the relationship between the forms of realization of ownership rights over assets and the legal person's current interests is unclear. Many contracts contain no clear requirements on returns on the assets for the owner, thus diluting ownership rights. Retention of all depreciation funds by the enterprise is in fact only a confirmation of the legal person's uncompensated use of state assets, but does not enable the legal person to have the sense of being the main profiteer. In particular, the enterprise can mix depreciation funds with production funds drawn from retained profits, there is a blurring of the boundary between depreciation and profits, thereby opening one more convenient door for the washout of fixed assets. In this way, maintaining and increasing the value of assets,



the legal person has neither internal motive nor external pressure, and such value maintaining and increasing become a duty rather than a right for the legal person. Therefore, in the preliminary distribution of the enterprise's total income, the legal person can place compensation for fixed assets in a secondary position. Especially in the last few years, the distribution has been tilted too much towards the individual. After personal incomes gained strength leading to a loss of control over the situation, as a result, even less importance was given to the maintenance of the value of assets. Except for enterprises that are managed well, highly efficient, and have high income, many state enterprises have adopted the following priority sequence regarding items in the preliminary distribution of total income and the redistribution of the enterprise incomes: basic wages, various subsidies, bonus funds, welfare funds, bank interest, mature loans, taxes, profits, new product development funds, production funds, major overhaul funds, and lastly depreciation funds. Some enterprises even intentionally allocate no depreciation funds to increase profits, thereby increasing the base figures for bonus funds and welfare funds to expand personal income. This obviously represents one more piece being nibbled up. Depreciation compensation funds for fixed assets are achieved not through first priority deductions, but through optional deductions. There is thus some point to the analogy which compares the relationship between the legal person and state assets to the practice in the last dozen years of government functionaries riding publicly-owned bicycles. In view of such a relationship between the legal person of the enterprise and state assets, the decline in the amount of depreciation compensation funds is nothing surprising. Surely, the less than full development of enterprise production capacity, and idle equipment in the last few years are also one reason for diminishing depreciation funds, but not the main one. The main cause is still the imperfection of the system of operation based on contract responsibility.

**2. Financial causes.** Financial departments are the state enterprises' offices for financial accounting and accounting supervision. In the last few years, because of financial difficulties, financial departments at all levels have concentrated on increasing tax revenues and profits, eliminating losses, and have failed to give due importance, in financial accounting, to the issues of recovering and depreciation of state assets. In some places, financial accounting acquiesces, or supports the practice of producing false profits but real losses by diverting depreciation funds to add to profits, or to make up losses.

**3. Legal causes.** There are clear provisions on the ownership of state assets in the Constitution and the Enterprise Act. But there are no specific legal rules on the forms of realization of ownership rights over state assets, especially on the question of realization of ownership rights of contractors. Consequently, with regard to the question of realization of ownership rights, there exist the situation of both nonobservance of laws and having

no laws to be observed. When there occur instances of losses of state assets, the matter is often left unsettled, and legal responsibility is not looked into. Therefore, laxness of the legal system is one important cause for compensation funds not being allocated according to regulations.

**4. Causes relating to understanding of the issue.** With regard to the ways of operating enterprises owned by the whole people, theoretical circles do not agree on whether it is better to have the contracting system or the leasing system, or on how to treat the stock system. Theoretical circles also debate the question of the forms of realization of ownership rights and the question of clarity of ownership. With regard to the issue of ownership rights, after the implementation of the system of operation based on contract responsibility, the old methods with which the economic departments, especially enterprise supervisory departments, exercised their ownership rights have been overturned, but new methods have yet to be established. As a result, there is confusion in people's mind, and a timid attitude toward the exercise of ownership rights, leading to the phenomenon of a "vacuum" in the exercise of ownership rights. In short, for supervisory departments and enterprises, there exist no clear, long-term, stable rules which integrate responsibility, rights and interests, in terms of the forms of realization of ownership rights. Thus, short term-based behavior becomes unavoidable. There are also all kinds of difficulties with regard to the implementation of the measures proposed by the center for the maintenance and increase of the value of state assets.

**Perfect the system of operation based on contract responsibility, and deepen reform of the forms of realization of ownership rights**

In view of this new problem of the decline in the amount of depreciation compensation funds for state assets, it is necessary to adopt urgent measures to contain and solve the problem. Correcting this phenomenon has economic significance, and political significance. One objective of the peaceful evolution of external hostile forces is to turn our public-ownership economy into a private-ownership one. The maintenance and increase of the value of state assets is an important matter concerning the consolidation and development of public ownership. What is to be done? The key is to further perfect the system of operation based on contract responsibility, and continue reform of the forms of realization of ownership rights.

**First, exercise necessary administrative intervention, and put into effect, as soon as possible, the spirit of the speech given by Premier Li Peng at the central work conference.** Measures for perfecting the system of operation based on contract responsibility proposed in *The Speech* are very pertinent to solve the problem of decline in the amount of depreciation compensation funds for state assets. Premier Li Peng pointed out: "Enterprises should allocate depreciation funds, major overhaul funds and new product development funds according to regulations, and make correct use of the funds. It is necessary to

suppress the conduct of some enterprises that produce false profits but really have losses. It is necessary to prevent the washout of state assets." In *The Speech*, Premier Li Peng also proposes methods to increase the depreciation rates or revalue fixed assets to increase the base amounts, and appropriately increase the amounts for depreciation; gradually stop collecting the "two fees" on depreciation funds; and selecting some large enterprises and enterprise groups to be covered by overall input-output contracts to give enterprises even more autonomy. The state is looking for ways of creating favorable conditions for enterprises' work on the maintenance and increase of the value of state assets. To achieve those conditions, administrative intervention and legal guarantees are very necessary. Especially, to implement these policies and measures, it is very important that enterprises' supervisory departments exercise their rights, that financial departments be strict in financial accounting, and that there be supervision from the banks and audits from the auditing departments. At the same time, it is necessary to enhance the management of enterprises. It is necessary to organically combine perfecting the system of operation based on contract responsibility with the enhancement of enterprise management. It is necessary not to substitute contracting for management. It is necessary to support all effective management regimes, so that the enterprises can acquire self-restraint and do a good job on maintaining and increasing the value of state assets.

**Second, enhance theoretical studies on the forms of realization of ownership rights over public-owned assets, and continue reform.** With regard to the issue of the forms of realization of ownership rights over state assets, it is necessary to combine theoretical studies with continuing reform. Without the guidance of theories, it is not possible to continue reform. On the other hand, continuing reform is the way to achieve a fundamental solution. Therefore, I suggest six ideas and recommendations:

1. *Adhere to Marxist theory on the maintenance and increase of the value of fixed assets.* In *Das Kapital*, Marx points out: (1) In reproduction, fixed assets incur depletion owing to material-related and time-related attrition. Therefore, it is necessary to compensate in terms of the value of the assets; otherwise, it is difficult to maintain simple reproduction. (2) In the reproduction cycle, it is necessary to compensate for fixed assets in terms of value, covering one part after another. After accumulations over several years (e.g., 10 years), carry out renovations for the purpose of achieving expanded reproduction of the intensive type. (3) Under the conditions of a commodity economy, it is necessary to defer to the principle of average profit. The principle of average profit tells us that the assets ownership rights are embodied in the entitlement to a part of profits which could be used to increase the value of the assets. (4) Compensation funds for fixed assets involve the exchanges between the two major sectors (i.e., exchanges between  $I_c$  and  $I(v+m)$ ). The failure to timely allocate

compensation funds can also affect the normal functioning of exchanges and normal growth of effective demand. These views of Marx and views on the necessity of having fixed-assets compensation funds covered by first-priority deductions from the total social product under public ownership are not obsolete, but remain the theoretical basis for guiding our handling the forms of realization of ownership rights.

2. *In reform of the forms of realization of ownership rights, it is necessary to pay attention to following correct principles.* First, adhere to the principle of the productive force criterion. Do not treat every case in the same manner, or follow one model only. Second, adhere to the principle of making practice the criterion for determining truth. Only the forms proven to be effective in practice will be employed; all new plans must undergo tests. Third, adhere to the principle of handling well the issue of "degree." It is necessary to handle well, with a clear mind, the boundary between public ownership and private ownership, that is, the issue of the appropriate degree of each form of ownership.

3. *The forms of realization of ownership rights should be diversified.* Besides the enterprise contracting system, the leasing system and the stock system currently under experimentation, the form of making the supervisory departments have the ownership rights should not be completely ruled out. In such industries as those of railways, posts and telecommunications, aviation, arms, and power, the realization form of making the central-level supervisory departments have assets ownership and operate the assets should be reconfirmed.

4. *To perfect the system of operation based on contract responsibility, it is necessary to further divide ownership rights into ultimate ownership rights and legal person ownership rights, on the basis of the separation of assets ownership rights from operation rights.* As for such industries as those of railways, posts and telecommunications, and petroleum which are suited for industry-wide contracting, ownership rights should not be divided.

5. *Who should control ultimate ownership rights over assets after the division of the rights? They should be scattered around and given to specialized corporations, group corporations, local specialized corporations and group corporations of provinces and municipalities, and also be given to extra-large production enterprises or some large enterprises which reach high standards in their operations.* In a nutshell, they should be scattered around and given to various economic entities that are capable of exercising ultimate ownership rights, but should not be returned to the enterprise supervisory departments of governments of all levels. Government economic departments at all levels perform the function of managing the national economy. Except for some special departments, if they should control the ultimate ownership rights, there would be the recurrence of the problems of mixing government with the enterprise, enterprise ownership, different treatments, and of industry-based barriers which are all harmful to the development of the planned

commodity economy. These problems would inevitably occur, because one department concentrates, in its hand, the state's economic management functions as well as the ultimate ownership rights. Only by giving up ultimate ownership rights, can the administrative supervisory departments come to be dependent exclusively on fiscal and administrative appropriations, and look after the affairs of all enterprises in the country, thus performing exclusively functions for the state's economic management, just like the present Planning Commission, Statistical Bureau, Industry and Commerce Bureau, Audit Bureau, Finance Department, and Price Bureau. The ultimate ownership rights should be given to various economic entities which are capable of exercising ultimate ownership rights. The government should issue deeds to the units holding ultimate ownership. The capable entities here refer to economic entities which are capable of shouldering ultimate independent responsibility for profits and losses, and are capable of organizing and operating enterprises. The embodiment of the ultimate ownership rights for those units should contain: (1) Turning over a part of profits, or allocate a part of products, to the relevant departments of the state in accordance with plans and contracts, in addition to remitting taxes under the law; (2) concluding contracts on enterprise contracting or leasing with production enterprises; (3) collecting certain amounts for returns on assets from production enterprises according to regulations, and shouldering ultimate independent responsibility for profits and losses; (4) possessing the decision-making power over the production enterprises' preliminary distribution of total income; and (5) possessing the power for supervision and punishment or rewarding with regard to the maintenance and increase of the value of assets. Those firms with ultimate ownership rights should use economic means, instead of administrative means, to exercise their rights over production enterprises. The establishment and development of those firms will be carried out mainly through union and merger, but it is also necessary not to rule out the possibility of some existing supervisory departments spawning some specialized corporations with ultimate ownership rights. It is necessary to sum up the experience of Capital Steel, General Petrochemicals Corp., International Trust Corp., and Xi'an Aircraft Corp..

6. *The legal person ownership rights resulting from the division of the ownership rights over state assets should certainly be given to contractors who operate the production enterprises.* The difference between having legal person ownership rights and having the currently available operation rights is that the legal person would: (1) independently operate the enterprise in accordance with the law and on the basis of the principles of the legal person system; (2) accept the decisions made, and be restrained, by the firms with ultimate ownership rights, and assume responsibility for the maintenance and increase of the value of assets; (3) conduct renovations of assets or even change product lines and engage in diversified production to achieve maximum efficiency, according to needs of the independent operation; and (4)

shoulder certain risk of competition, and be in the second category of entities shouldering independent responsibility for profits and losses. In this way, the rights, responsibilities and interests of the legal person are made even clearer, and there are both internal motive and external pressure for developing production, operating the enterprise well, and protecting assets.

## Enterprises Urged To Be More Market-Oriented

### Major Breakthrough

92CE0351A Beijing JINGJI CANKAO BAO in Chinese  
27 Feb 92 p 1

[First of four articles by Yang Jisheng (2799 4949 4939) on making enterprises more market-oriented: "A Major Breakthrough"]

[Text] It was clearly pointed out at a working conference of the Central Committee in September 1991 that we must convert enterprise operating forces, in order to make large and mid-size state-owned enterprises more market-oriented. Premier Li Peng also pointed out at a working conference on national economic reform in January 1992 that making enterprises more market-oriented is the crux of enterprise reform. This is a major step in the deepening of reform, which will become a breakthrough in pushing forward with all-out reform.

Making enterprises more market-oriented means giving enterprises independent management decisionmaking power, making them responsible for both their profits and losses, and providing them with self-development and self-restraint forces through market competition. This will include the following full agenda: enterprises will decide what and how much they will produce based on market demand; enterprises will select and purchase the best raw materials on the market, and assemble components according to market rules; enterprises will set product prices and organize product sales based on market supply and demand; enterprises will make their own decisions on and raise funds on the market for technological upgrading and small-scale construction projects; the quality of products and business management will be determined by markets, and will no longer be subject to inspection, comparison, and assessment by the administrative sector; enterprise assets will become market-oriented, with assets liquidity or pooling and mergers being subject to market rules, and no longer needing administrative means as a go-between; enterprises will be subject to elimination through market competition, with the better ones growing and the poorer ones being merged or allowed to go bankrupt.

In this way, enterprises will no longer be like infants smothered in the embrace of the government, but will turn into fierce eagles fighting to weather market storms.

Of course, as making enterprises more market-oriented will be a gradual process, we cannot expect to achieve all of the abovementioned objectives overnight. Moreover, the differing characteristics of enterprises per se and

their varying degrees of market orientation mean that a few enterprises will still be managed directly by the government. But we can see that making enterprises more market-oriented will involve a full agenda, which will bring the following major reforms:

1. It will put enterprise reform into a substantive phase. Certain enterprises that lack market contingency capabilities will have to be transformed so that they can adapt to changeable market conditions. This will mean introducing competitive forces to management within enterprises, and using internal competition to adapt to external market competition. This will require fundamental reform within enterprises in areas, such as cadre personnel system, labor employment system, and distribution system, and the conscientious establishment of effective, flexible, and ever-changing operating forces. As there has been much talk but very little real action in these areas in the past, we must no longer sit around discussing them in theory.

2. It will speed up socialist market development. Making enterprises more market-oriented will require the following actions: reforming our irrational pricing system, in order to establish a price-formation mechanism based on supply and demand relations; drawing up socialist market transaction rules, in order to form a rational order of market competition; breaking down departmental and regional separatism, in order to form a uniform socialist market; developing all kinds of key markets, such as materials, technology, money, and labor, in order to form a socialist market system.

3. It will expedite reform of our macroeconomic regulation and control system. Market-oriented enterprises will require mostly indirect regulation and control, a further reduced scope of directive planning, less administrative interference, and more regulation and control through economic leverage.

4. It will speed up the establishment of a social security system. Without a social security system, staff members and workers who should cannot retire, enterprises that should cannot go bankrupt, and it will be hard for enterprises to become more market-oriented.

5. It will expedite the conversion of government organ functions, the reform of government organs, and a change in government workstyle, all of which are prerequisites for making enterprises more market-oriented.

As we have regarded enterprise reform in the past as merely microeconomic reform, and not conscientiously used it to promote related reforms, we have not been able to deepen enterprise reform, nor have we made much progress in carrying out related reforms. We should now focus on the goal of making enterprises more market-oriented, by promoting a full agenda of reforms, in order to build an appropriate superstructure.

Our reform objective is to found a new system that combines planned economy with market regulation. Making enterprises more market-oriented will be based

on building a new system, which will mean transplanting this combination of planning and markets into every cell of the economy, and injecting it into the creative actions of the millions of direct producers and operators. In this way, the issues involved in combining planning with markets will no longer remain in a stage of theoretical discussion, but will become part of the reform practice of millions of people. This great cause will produce many new experiences and conflicts. The accumulated new experiences will gradually form the structure of the new system, and the resolutions of the new conflicts will increasingly improve the new system. In this way, the day of free enterprise struggle in the sea of markets will be the time of completion for the new system's skyscrapers.

This is the significance of making enterprises more market-oriented.

### Market Functions

92CE0351B Beijing JINGJI CANKAO BAO in Chinese  
28 Feb 92 p 1

[Second of four articles by Yang Jisheng on making enterprises more market-oriented: "Markets Are the Very Lifeblood of Economic Development"]

[Text] *The first issue involved in making enterprises more market-oriented is how to objectively evaluate market functions. In other words, acknowledging the positive functions of markets is a prerequisite for making enterprises more market-oriented.*

*Market functions in a planned commodity economy are expressed in the following two areas: 1) Through market competition, a combination of powers, responsibilities, interests, and risks arouses initiative and a creative mindset among the enterprises and individuals that are directly engaged in economic activity. Moreover, such initiative and creativity are the wellsprings of social prosperity. 2) Changing market price and demand signals are guides to a rational distribution of key production factors, such as capital goods, funds, labor, and technology, thus raising overall economic Reform practice has brought many comrades to the following common understanding: markets do not equate to capitalism, since socialism also needs markets; planning does not equate to socialism, because capitalism also practices planning; both planning and markets are required for socialized large-scale production and commodity economy, as they both are means of economic regulation and resource disposition.*

*Since we began to reform, the introduction of market forces to our former system, just like an infusion of lifeblood, has very quickly revitalized our economic activities. Although our markets are still very undeveloped, and their regulatory functions have not yet been brought into full play, the introduction of market forces has already produced the following positive results:*



—It has turned our longstanding market supply shortages into abundances. While sellers dictated to consumers for many years, consumers can now freely choose which commodities to buy, so that buyers dictate to sellers.

—Markets have provided opportunities for everyone. People have taken advantage of these opportunities, by taking the initiative to fill up the various demand gaps in urban and rural lives, in order to make urban and rural lives more convenient and of better quality.

—Market forces have broken through the stagnancy of our system, so that personnel, materials, manpower, and funds circulate more freely and are made fuller use of than before. This has enabled us to create more wealth with the same amount of resources, so that China's economic might has grown faster in the last 12 years than ever before.

—Since market forces were introduced to the fields of technology development and popularization, S&T have become more closely linked to our economy. Our application rate of popularized technical achievements has increased sharply, enabling Chinese enterprises to upgrade their technology faster in the last 12 years than ever before.

—The introduction of market forces has brought our planning more into line with the law of value, improving our planning and making it more realistic.

—The introduction of market forces has made Chinese enterprises more competitive on international markets.

While such results were admittedly due to comprehensive work in many areas, so cannot be attributed totally to market forces, the impact of market forces must not be underrated.

The bringing of market forces into fuller play reflects our mass line on economic work. In our former highly centralized planned economy, certain economic decisions that should have been made by factory directors were made by a few senior planners instead, which made it harder for the will of the people to be reflected in plans. But market forces have forced tens of thousands of producers and managers to rack their brains, so that they make economic decisions based on constant analyses of demand fluctuations, and face the risk of failure. As this change in market supply and demand relations reflects the will of the people to a certain extent, our current market vitality is due precisely to the vigor of our mass line.

This is certainly not to say that markets are all-powerful. We have already come to the sober realization that markets are powerless in certain fields. This means that the state must use its administrative powers to supplement market deficiencies in these fields. We have also come to the sober understanding that markets have defects, with less developed markets having even more severe defects. While we have already experienced many economic problems caused by these defects, market defects can be

remedied by an organic combination of planning with markets, and can be gradually resolved through continuous improvement of markets and planning.

It was pointed out at a Central Committee working conference in September 1991 that "a key factor in the current lack of enterprise vitality is that the impact of market regulation has not been brought into full play." Under today's conditions in which diversified economic components coexist, continuing to use former methods to run state-owned enterprises would forfeit their advantages in competing with the nonstate-owned economy. Therefore, making large- and medium-sized state-owned enterprises more market-oriented will be a key way to consolidate and improve socialist public ownership.

Our whole society should have reached the consensus by now that markets are the very lifeblood of economic development.

### Enterprise Independence

92CE0351C Beijing JINGJI CANKAO BAO in Chinese  
3 Mar 92 p 1

[Third of four articles by Yang Jisheng on making enterprises more market-oriented: "When Government Liberates Enterprises, Enterprises Will Be Free From Government Intervention"]

[Text] Concerned departments estimate that many factory directors now spend more than two-thirds of their time in dealing with inspections, comparisons, and assessments by the higher authorities, and in attending various meetings, which leaves them managing operations less than one-third of the time.

Some factory directors report that enterprises have truly acquired very few of the rights that they deserve as stipulated by the "Enterprise Law," with most powers being kept by government (administrative) organs at all levels. This means that enterprises are still bound up hand and foot.

Therefore, as to making enterprises more market-oriented, factory directors are clamoring that "in order to proceed with this, our bonds must first be loosened!"

The major reason why enterprises are bound up is lagging reform of government departments. Government departments now overlap level by level, with a great number of departments, overlapping functions, and too many redundant personnel. As so many organs and personnel must find some kind of work to do, they turn to meddling in enterprises. Moreover, these government organs are still accustomed to their former highly centralized working methods of mostly administrative management and direct control. As "the authorities pull a thousand threads through one needle that is attached to their subordinates," what room is left for enterprises to make independent management decisions? Thus, in order to loosen enterprise bonds, we must first convert the functions of government organs.



While we have streamlined administrative structures over and over despite repeated setbacks, they are still becoming increasingly unwieldy with growing numbers of personnel. While party and government organs throughout China had 2.7912 million cadres in 1979, which was considered to be far too many at the time, their number had grown to 5.435 million by 1989 despite two cutbacks, meaning that it had doubled in a decade.

The current view on why structural reform has been so unsuccessful is that, instead of emphasizing the basic issue of converting the functions of government organs, we have made issues of simply structural cutbacks, and changing enterprise and institutional subordinate relations without changing work methods. As soon as the cutbacks were accomplished, we "added personnel" and slipped back into our old ways.

Once enterprises become market-oriented, what functions should government have? They can be summed up as the two functions of supplementing market deficiencies in fields where markets are powerless, and correcting for negative market impacts. In particular, fields in the public domain, such as national defense, elementary education, environmental protection, and public health, must be run by the government. Government must also play a role in maintaining market order, protecting normal competition, preventing monopolies, and opposing unfair competition. In regulating income distribution for all social strata, the government should use means, such as progressive individual income taxes, public relief, and subsidies, in order to correct for the polarization trend of market regulation. The government should regulate and control macroeconomic parameters, in order to preserve overall balance, and ensure the sustained and steady growth of the national economy. In addition, in order to keep disparities from widening in the competition between a developing country like China and developed countries, the government must also take forceful steps to promote extra long-range economic growth.

Once government functions have been clarified, we should analyze which existing functions should be abolished, which should be strengthened, which should be devolved to enterprises, and which should be shifted, and then conscientiously get on with the following functional conversion tasks:

1. We should convert from micromanagement to macro-control. The government now supplants the work of many factory directors, while its own macroeconomic control is very weak. Government departments should halt interference with enterprise production, management activities, and business management within enterprises, and should focus their energies instead on doing a good job of macroeconomic control and on gradually establishing a macroeconomic regulation and control system that is suited to a planned commodity economy.

2. We should convert from direct to indirect control. Government organs should change from direct control of enterprise personnel, financial, and material resources,

and from purely administrative interference to control through the comprehensive use of economic, legal, and necessary administrative measures.

3. We should change from head-on "control" to service and oversight. Departments in charge of enterprises should change their concepts, workstyles, and long-standing status as leading organs for enterprises. They should break free from outmoded working methods, such as inspection, comparison, assessment, and checking before acceptance, and focus their energies instead on doing a good job of industrial planning, coordination, service, and oversight. They should stop grading enterprises and evaluating enterprise product quality through administrative means, and focus their control on service.

Enterprises are now most troubled by the following two problems: 1) The bad operating climate created by ineffective macroeconomic regulation and control. 2) Their lack of independent management decisionmaking power due to overmeticulous micromanagement. If government departments make these functional conversions, it will greatly enhance enterprise vitality.

When government liberates enterprises, enterprises will be free from government intervention. Once government organs stop interfering in the production and management of tens or hundreds of thousands of enterprises, enterprises will be freed from a heavy burden. Then the staffs of administrative organs can be reduced sharply, and the streamlining of administrative structures will result in the logical successful conclusion.

### True Enterprise

92CE0351D Beijing JINGJI CANKAO BAO in Chinese  
4 Mar 92 p 1

[Last of four articles by Yang Jisheng on making enterprises more market-oriented: "Let Enterprises Become True Enterprises"]

[Text] So-called true enterprises should be independent commodity producers and managers, the subject of true interests, duties, and powers, and responsible for their profits and losses in a climate of market competition. Many of China's state-owned enterprises are still basically responsible for their profits but not for their losses, which means that they are still far from being true enterprises.

This brings us to a much-disputed question. Should and can state-owned enterprises be responsible for their profits and losses? Answering this question in the negative leads only to the two completely contradictory conclusions that either state-owned enterprises should be returned to the old rut of centralized state responsibility for profits and losses, or that they should be privatized, neither of which obviously is possible. This leaves only one way out. Is it possible to make state-owned enterprises responsible for their profits and losses and thus turn them into independent enterprises without changing state ownership?

*Much practical study and theoretical exploration has been carried out in this area in recent years. While reform practice has achieved both successes and failures, and theoretical exploration has led to differing opinions, a consensus has been reached that as the state must not run enterprises directly (naturally excluding monopolies), we must explore a new form of achieving state ownership.*

*When we speak here of not changing the nature of state ownership, we refer to the large- and medium-size enterprises that make up the bulk of state ownership, while certain small state-owned enterprises can be leased to collective or private ownership. Of course, the management rights of other small state-owned enterprises can be turned over completely to groups or individuals through forms, such as commissioning, proxy, or contract leasing, without changing the nature of their state ownership. The current difficulty is how to turn large- and medium-sized state-owned enterprises into true enterprises. The theoretical explorations of forms of achieving state ownership in recent years have evolved many common views, so that a theoretical framework for reform of state-owned enterprises has gradually become clear. This framework is roughly as follows:*

*At the highest level, the government functions of political control and property ownership should be separated. The government should retain only political control, while its ownership function should be shifted to independent business organizations subordinate to the state (such as the State Administration of State Property), so that state property can be managed according to business laws. At the intermediate level, we should set up a large number of independent business organizations with interrelated interests, such as state property management companies, investment corporations (as intermediaries between the State Administration of State Property and enterprises), insurance companies, and old-age pension foundations, which would organize and manage state property according to investment risks and profit margins, and exercise the function of the "ultimate owners" of state-owned enterprises through the form of shareholding. At the enterprise level, we should separate ultimate ownership from corporate ownership. On one hand, public shareholding groups would hold the stock rights to enterprise property, but would not be able to interfere directly in enterprise management. On the other, enterprises as corporations would have the power to control and budget enterprise assets, would have independent management decisionmaking power, and would be responsible for their profits and losses. Of course, the ultimate owners of such shareholding enterprises would be not simply the above-mentioned business organizations alone, because other state- and collectively-owned corporations could also hold stocks. While individual stockholding would be permitted within certain limits, state-owned units would be the dominant stockholders, which would preserve the state-owned nature of enterprises.*

*Of course, this is certainly not the only model, as many other practical studies have been carried out. Capital Steel's contract system is another quite successful form. Its*

*success was due to "rigid contract bases" and very long contract terms (15 years). This clarifies the long-term profit relations for the government and enterprises, thus ensuring enterprises independent management decision-making power. Even though state revenue departments and theoretical circles still have differing views on the Capital Steel model, a consensus may be reached through continued study, so that it may become one form of achieving state ownership.*

*These shareholding enterprises, in which public corporations would hold most of the stocks, are a long-range objective. In the short term, enterprises will continue to practice the contract management responsibility system (as most enterprises do not have rigid contract bases for 15 years like Capital Steel, they are not as vigorous as Capital Steel). We must still continue to improve the contract management responsibility system, in order to pave the way for a transition from contract management to shareholding enterprises. Our interim work will be focused on gradually establishing normal relations for the profit distribution between the state and enterprises, and on delimiting enterprise property rights, in order to evolve a clear system of property rights management.*

## PROVINCIAL

### Article Views Economic Development in Liaoning

92CE0350A Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 6,  
17 Feb 92 pp 19-21

[Article by Wu Feng-hsia (0702 7685 7209): "Liaoning Province's Potential in Accelerating Economic Development"]

[Text] In mid-January, invited by the Liaoning Provincial Government, 11 Hong Kong news agencies organized a Hong Kong Reporter Economic Observation Group and paid a one-week visit to Liaoning.

In our impression, Liaoning is a land of ice and snow. As children, we were taught the song "Home on the Northeast's Songhua Jiang," but we really knew very little about Liaoning: We knew that all of China's steel came from Anshan; Lushun-Dalian is China's main military base; Liaoning is China's main industrial base. Other than that, we knew little.

What is Liaoning really like? In the more than 10 years of reform and opening up, how has Liaoning, a province with a disproportionate number of old enterprises and state-run enterprises, fared? Since the state turned Liaodong Peninsula into an economic open zone a few years ago, what role has it played in comparison with the Zhujiang Delta area?

We brought all these questions with us on our visit to Liaoning. Our hospitable hosts had arranged many activities. We toured Shenyang, Anshan, Yingkou, Dalian,

and other cities. We were briefed by relevant government officials and also visited some factories. In addition, officials from Dandong, Liaoyang, Jinxi, Jinzhou, and Panjin also made special presentations. They helped the reporters learn more about and understand Liaoning's situation, especially its conditions and prospects since reform and opening up.

### An Industrial Giant

Liaoning Province is in the southern part of China's northeast region bordered by Huanghai and Bohai to the south and the Korean Peninsula to the east and faces Japan to the southeast directly across the sea. The province measures 145,900 sq km in total area and has a population of 40 million. It is the most important of the three northeastern provinces. In the early days after Liberation, it became an important industrial base, playing the role of an industrial giant. In the last 40 years, the state has invested 50 billion yuan in Liaoning, and enterprises have put in as much as 110 billion yuan of their own, making it an industrial production base for heavy industry and raw materials. Today, there are more than 26,000 state-run enterprises in Liaoning, accounting for 10 percent of the country's state-run enterprises. Among them, 976 are large- and medium-sized enterprises, with 100 million yuan's worth of fixed assets, making it the province with the highest concentration of heavy industries. Last year, Liaoning produced 11.20 million tons of steel, accounting for one-seventh of the nation's total production. In addition, it also accounts for a large share of China's building materials, petrochemical products, shipbuilding, and coal. Liaohe Oilfield currently is China's third largest oilfield, and Dalian Port's cargo-handling capacity has surpassed that of Shanghai, making it China's second largest port.

Since Liaodong Peninsula became an open economic zone in 1988, and after several years' development, Liaoning has opened up at different levels by creating a new format which includes a development zone, a coastal open city, and an economic open zone. To different extents, both the tangible and intangible investment conditions have improved, and foreign trade has undergone rapid development.

Last year, the province's ports handled as much as \$5.75 billion's worth of export goods, \$3.22 billion's worth were local products. This represents an increase of 28.8 percent compared to 1990, setting a new record. The export of steel materials, cement, and machinery and electrical products saw the greatest increase. Meanwhile, because Liaoning is rich in mineral resources and has a sound industrial base, it has made good progress in opening up to the outside world. At the end of last year, 1,700 "three kinds of wholly or partially foreign-owned" enterprises opened, with total investment worth \$3.92 billion, \$2.06 billion of which were foreign investments as agreed upon. Last year, 1,291 agreements were signed to bring in foreign technologies and equipment; they were worth \$1.3 billion. Because of these imported technologies and equipment, 500 enterprises were able

to undergo varying degrees of transformation to raise their technological standards and produce better classes of products.

Liaoning Province has always shouldered its share of the nation's economic burdens; it delivers huge sums of money to the state each year. It was because of these deliveries of enterprise profits to the central government that deprived enterprises of funds to upgrade their technologies and management. Meanwhile, many of the large- and medium-sized enterprises were operating with equipment left behind by the Japanese and the Soviets, and their technologies and equipment were so outdated that it was difficult to improve economic efficiency. For this reason, under the Eighth Five-Year Plan, Liaoning's most urgent task is to transform the old enterprises and at the same time develop its export-oriented economy. Reportedly, in the next 10 years, Liaoning is prepared to invest \$6.8 billion to upgrade its old enterprises and develop transportation, energy resources, and agriculture.

To develop its ports, petrochemical industry, and metallurgical industry, Liaoning intends to attract more foreign capital or invest huge sums of its own money. For example, Benxi Iron and Steel is already 70 years old and its equipment are obsolete. It plans to invest 3 billion yuan on equipment upgrading and new constructions. Just recently, Benxi Iron and Steel signed a contract in Beijing for some long-term, low-interest foreign government loans. This was part of their effort to upgrade Benxi, and the money will be used primarily on development and to bring in foreign advanced technologies and equipment.

### Old Enterprises Blaze New Trails

In fact, Liaoning has already had some success in transforming old enterprises over the years. During this visit, we toured several of these enterprises. They have all made good progress in attracting foreign capital to fund their own transformation.

Shenyang's Yongxin-Shenyang Chemical Plant Co. Ltd. is a very good example. It not only is a Liaoning-Hong Kong joint venture but is also one of the more successfully grafted FIE's. The main structure of this joint venture is the Shenyang Chemical Plant, built in 1938. In the mid-1980's, Shenyang Chemical Plant, Hong Kong's Yongxin Technological Development Co. Ltd., and Shenyang's Tiexi Economic-Technological Development Corporation entered into a three-party joint venture which created today's Yongxin-Shenyang Chemical Plant. The total investment came to 725 million yuan—Yongxin owns 30 percent interest; it furnishes cash, technologies, and equipment.

Yongxin-Shenyang which mainly produces basic chemical industrial raw materials went into business on New Year's day, 1989. That same year, it made 50 million yuan in profit, more than 30 percent increase compared to 1988. In 1990 and 1991, despite the market slump,

shortage of funds, and soaring raw material prices and other adversities, it still made slightly higher profit than in 1989.

Yongxin-Shenyang Chemical was able to generate fairly high profit despite the difficult circumstances probably because it formerly was an old enterprise and had a good infrastructure. Take the production of caustic soda for example. To build a 100,000-ton capacity caustic soda plant, it would take at least 1.4 billion yuan in initial investment. Yongxin-Shenyang made use of its existing facilities and added a caustic soda plant, the size that cost only 200 million yuan. Meanwhile, because it is an old enterprise, there is no construction period, and there are dividends to be distributed as soon as funds are put in, and it also greatly reduces the investment risks for foreign investors.

Shenyang Cable Factory is another example of successful transformation of an old enterprise.

Shenyang Cable Factory not only is China's largest wire and cable manufacturer today but is one of the largest wire and cable manufacturer in all of Asia. Last year, it produced 1 billion yuan's worth of goods, generated 110 million yuan in profit tax, and besides satisfying domestic needs, was able to export to more than a dozen countries and regions in Southeast Asia and the Middle East.

Shenyang Cable Factory began importing foreign technologies and underwent large-scale technological transformation in 1984. It brought in equipment from Sweden, Finland, Belgium, the United State, Japan, and France to start five fully-equipped production workshops and 10 large-scale production lines to produce all-plastic control cable, all-plastic city telephone cable, steel-core aluminum wire, fiber-optic cable, and cable accessories. Such technological transformation cost 420 million yuan in total investment—\$44 million of which were foreign investments.

Through upgrading, importing, and absorption, Shenyang Cable Factory has raised the standard of its equipment significantly compared to just a few years ago. Between 1984 and 1991, it developed 164 new products, more than 30 of them received awards from the state, the province, and the city for technological achievements. To date, 45 of its products are produced according to international standards, and technologically its main products have reached international standards of the 1980's.

In addition, Anshan Iron and Steel, with more than 70 years' history, has done well in bringing in advanced equipment, and Shenyang's Feiyu Rubber Goods Company, Ltd. has been successful in its joint venture.

#### **Development Zones Bring New Vitality**

Besides upgrading old enterprises, ever since it was approved for development into the Liaodong Peninsula Open Zone in 1988, Liaoning has effectively attracted

foreign capital and brought in advanced technologies and management skills to develop its export-oriented economy. Various major cities have set up their own development zones, and all the cities the reporters visited had set aside land for these zones. In Shenyang, we toured two development zones—Shenyang Development Zone and Nanhu Science and Technology Development Zone. Each has its own characteristics. The former is backed by the mother city and can take full advantage of the old industrial base and directly link up with the mother city's water, electricity, and gas supplies and roadways, and therefore development cost is low. It has a good transportation system: Besides the main air and surface trunk lines, the Shenyang-Dalian Expressway passes through the development zone, so that Yingkou and Dalian are only two to four hours away. This golden thoroughfare has joined the development zone to the port. In the three years of the zone's development, it has approved a total of 68 projects, with agreed investments worth 1.6 billion yuan. Lifu Garment Factory, a Sino-Japanese joint venture, is a good example.

Shenyang's Nanhu Science and Technology Development Zone was approved for construction by the province and the city in 1988 and was upgraded by the State Council into a state-class high-tech and new-tech industrial development zone in 1991. It is one of China's five experimental high-tech and new-tech industrial development zones and is quite influential in the mainland. The development zone is located at the southend of Shenyang City; it measures 23.2 sq km. in total area. There are 12 universities and colleges, 27 research institutes, three state-class science experiment bases, and 210 large- and medium-sized laboratories; the entire zone employs more than 12,000 scientists and technical personnel. Today, it has 300 high- and new-tech enterprises, 22 Sino-foreign joint ventures and wholly foreign-owned enterprises. It has absorbed \$13 million in foreign investments, developed 756 new or advanced techniques and products, signed 738 technological contracts, and exported \$22.5 million's worth of goods. More than 70 foreign businessmen from a dozen countries and regions have come to Nanhu Science and Technology Development Zone to discuss possible cooperation. Nanhu Development Zone has become Shenyang's window to the outside world as well as a scientific and technological information center and a trade center for technologies.

#### **Dalian Development Zone Attracts Much Attention**

But it is the Dalian Economic and Technology Development Zone that has attracted most attention. It was the first development zone approved by the State Council after the establishment of the series of SEZ's. Construction formally began in the fourth quarter of 1984.

After seven years' hard work, Dalian Development Zone no longer lets Shenzhen and Shekou take all the credit. Together with Dalian, it has the nation's largest bridge in its transportation system, ample energy resources, good communications system, and the nation's busiest cargo



docks, and it has already attracted many Japanese, Hong Kong, South Korean, and European and American companies to make investments and set up factories, even helping to further develop Dalian's already fairly advanced light industry.

To date, merchants from 15 nations and regions have opened 272 "three kinds of wholly and partially foreign-owned" enterprises in the development zone, with agreed investment worth more than 1.2 billion yuan, one-third of the total investments in the nation's 14 development zones, ranking first among all zones. About 196 industrial enterprises in the Dalian Development Zone have gone into production or trial production. Last year, its GVIO [gross value of industrial output] was 2.3 billion yuan, 2.8 times the previous year's.

The most striking characteristic of the Dalian Development Zone is the large-scale foreign investments and high technological standards. For example, after Japan's Cannon Company, which owns more than 400 patent rights in copy machine cassette technologies, invested in a wholly owned enterprise in the zone, it has shared 12 products and items of technical know-how with four Dalian enterprises, and in turn helped some old enterprises increase product export and make technological improvements. Today, 19 of the zone's foreign enterprises have invested more than \$10 million, 12 have invested more than \$20 million, and 40 percent of the enterprises have attained 1980's international advanced standards—more than one-fourth of the three kinds of wholly or partially foreign-owned enterprises are in the electronics and electrical products business.

Currently, the Dalian Development Zone is looking forward to several major investments. First, at the end of last year, Japan's Cannon Group decided to put in an addition 9 billion yen to build a second-phase plant to produce laser print copiers and the cassettes they require. The original first-phase plant and production line had cost 9.58 billion yen. Second, full-scale construction of the Sino-French joint venture—Dalian-West Pacific Petrochemical Company, Ltd.—will begin in March of this year. It calls for total investment of \$500 million, and the plant will have 5 million-ton crude processing capacity; it will be China's largest oil refining base. This is a six-party joint-venture—Dalian City has 20.75 percent interest; China National Chemicals Import and Export Corp., 5 percent; Daqing City's Qingda Economics and Trade (Group), 15 percent; China Chemical Engineering Corp., 10 percent; Hong Kong's China Chemical-Hong Kong Petroleum International, 20.25 percent; France's Daodaer [6670 6671 1422] Company, 20 percent. The joint venture carries a 50-year term. Third, Japan's Itoh C. Group and Mitsui Bank and 30-40 shareholding companies have set up the Dalian Industrial Group Shareholding Co. which is using all-Japanese money to develop an entire 2.1695-sq km industrial zone. The Chinese side has contributed two already-completed highways as share capital and owns 20 percent interest while the Japanese controls 80 percent share. The land is priced at \$25 a square meter; the

term will be for 50 years. It will attract as many as a hundred Japanese companies to the area to set up factories.

The Dalian Development Zone's current outlook is proof of its success. Actually the area's capital construction and everyday facilities have also developed accordingly. Guesthouses, hotel-style apartments, shops, schools, and homes are being built to make life more comfortable for those who come to invest.

There is also Yingkou City. In 1990, a high-ranking delegation of experts from the United Nation's Committee for Development Planning made a thorough study of Yingkou. The delegation of experts delivered a 200,000-word report and gave high marks to the strategic role and developmental potential to Yingkou City. It pointed out that Yingkou has unmatched advantages in its hinterland industrial base, natural resources, technical personnel, geographic location, and port facilities and so on. In particular, the Shenyang-Dalian Expressway and construction of the Bayuquan New Port will propel Yingkou to the country's strategic economic key post. Yingkou's role as the hub of national, northeast regional, and international economic and trade development will enable it to become an important gateway for the northeast provinces and make it the state's natural base for multiple resource processing and related projects and industries, turning it into an entrepot trade center for the entire northeast as well as a science and technology metropolis.

For this reason, the Yingkou New Economic Zone which was first developed in early 1988 has become even better known, and 28 FIE's have already opened for business. Some internationally well-known large companies—like Singapore's Wen Brothers Company, United Construction Company, and Canada's Singer Group—have decided to invest here.

#### **Tailoring Port Constructions to the Investment Environment**

Liaoning's new harbor is also very impressive. Yingkou's Bayuquan Port District is one of China's key construction projects. Its coastline measures 12 km. Along the seven km coastline currently under planning, a long-range plan calls for six production-oriented harbor pools, seven embankment-type docks, 40,000-ton class berths, and 10 deep-water berths, with annual cargo handling capacity of more than 45 million tons.

Today, the first-phase project is complete, and nine 10,000-ton berths are in use. They are designed to handle 7.39 million tons of goods a year. The port area is fully equipped with a freight yard, warehouses, water and fuel supply, ship repair, communications, navigation and other supplementary facilities.

Bayuquan New Port District which is 80 percent dominated by export shipping has a regular Yingkou-Hong Kong container cargo shipping service, and in 1992, it has also begun container shipping services to Japan and



South Korea and is doing business with nearly a hundred ports in more than 40 nations and regions including Singapore, Malaysia, the Philippines, Australia, the United States, Canada, and Holland. Dayao Bay New Port District at the southern tip of Liaodong Peninsula is another of the nation's key construction projects.

Liaoning's two new ports remind us that an important part of Hong Kong's development is having a complete set of fully equipped sea, land, and air transport facilities. Liaodong Peninsula's future looks promising.

Led by high-level Liaoning government officials, a large economic delegation will visit Hong Kong on 16 March and will hold an "Exhibition of Liaoning Province Export Goods and Economic Meeting." Besides exhibiting Liaoning's products, the delegation will bring many projects with them to entice foreign investors.

### **Jiangsu Approves More Ventures To Issue Stock**

*OW1904123192 Beijing XINHUA in English  
1212 GMT 19 Apr 92*

[Text] Nanjing, April 19 (XINHUA)—East China's Jiangsu Province has decided to issue stocks in 15 enterprises this year to accelerate experiment on the share-holding system and reform of financial systems, according to provincial government officials.

Nanjing, capital of Jiangsu Province, is one of the 10 cities in the country which are eligible to issue stocks. Eight enterprises in Nanjing have been chosen to issue shares in one or two months.

The stocks will either open to the public or be issued within the enterprise. Those open to the public will be managed by the Shanghai Securities Exchange via the Nanjing Stock Company.

All the eight enterprises have good economic returns, according to government officials. Take the Nanjing Radio Factory for example, its sales volume in 1991 reached 1.81 billion yuan (about 335 million U.S. dollars), the highest among China's electronics ventures.

Next year, about 120 enterprises, 10 percent of the province's large- and medium-sized enterprises, will try out the share-holding system.

### **Hebei Reports Foreign Capital Investment Figures**

*SK1704134992 Shijiazhuang HEBEI RIBAO  
in Chinese 20 Feb 92 p 1*

[Text] Hebei did a good job in signing foreign capital utilization contracts in 1991. By 20 December 1991, it had signed 464 contracts for direct use of foreign capital and, at trade fairs, signed eight contracts for indirect use of foreign capital (excluding the contracts for indirect use of foreign capital signed outside trade fairs). Total investment involved in these contracts came to \$824.69 million, of which foreign capital totaled \$289.175 million. It also signed 112 contracts for spot transactions of

imports totaling \$87.5 million. All the contracts went into effect, and 30 percent of the imported equipment had been delivered by the end of last year.

Total investment involved in the 464 contracts for direct use of foreign capital (of which 431 were contracts for joint ventures, nine were contracts for cooperative projects, and 24 were contracts for exclusively foreign-funded projects) came to \$798.6 million, of which foreign capital totaled \$274.92 million. So far, 26 projects have opened business, and construction on 103 projects has begun. The province has given approval to 456 projects, the feasibility study reports on 408 projects, and 309 contracts (including those approved by prefectural and city foreign economic relations and trade bureaus), with the transactions totaling \$461.54 million, of which \$169.29 million were foreign capital. Business licenses were given to 240 projects which involved an investment of \$308.18 million, of which \$97.04 million were foreign capital.

The province held foreign economic and technological trade fairs in Xiamen, Chengde, and Shijiazhuang in 1991. At these trade fairs, 383 contracts for direct use of foreign capital were signed. Investment involved in these contracts totaled \$686.63 million, of which \$237.11 million were foreign capital. Eight contracts for indirect use of foreign capital were also signed at the trade fairs. Total investment was \$26.09 million, involving \$14.255 million in foreign capital.

### **Jiangxi Province Government Work Report**

*HK1404054092 Nanchang JIANGXI RIBAO in Chinese  
11 Mar 92 pp 1-2*

[Article by Governor of Jiangxi Province Wu Guanzhong: "Government Work Report Submitted to Fifth Session of Seventh Jiangxi Provincial People's Congress on 5 Mar 1992"]

[Text] Fellow deputies:

On behalf of the provincial people's government, I deliver this Government Work Report to the congress for examination and discussion.

### **I. 1991 in Retrospect**

The year 1991 was the first year for implementing the 10-Year Program and the Eighth Five-Year Plan. We made a good start. The whole province, under the leadership of the party Central Committee, the State Council, and the provincial party committee, and focusing on economic construction as the central task, adhered to the four cardinal principles, quickened the pace of reform and opening up, and normalized the development of the entire economy. The provincial GDP registered 45.8 billion yuan, up 7 percent over the previous year; the total industrial and agricultural output value 80.67 billion yuan, up 10.9 percent; revenue 4.48

billion yuan, up 10.3 percent; and all the major tasks for economic and social development were fulfilled or over-fulfilled.

—Remarkable effects were achieved in the third campaign of the general operation for agricultural exploitation; an all-around bumper harvest in agricultural production was reaped despite serious drought; much progress was made in the structural readjustment, and the status of agriculture as the basis of the economy was strengthened. The grain output reached the target; the output of cash crops scored a breakthrough; animal husbandry and fishery continued to grow steadily; township and town enterprises and land reclamation enterprises maintained a good momentum of development; fine achievements were made in harnessing the mountains and watercourses and in afforestation. The total agricultural output value achieved was 30 billion yuan, up 5.5 percent over the previous year. Despite the reduction in the area for growing grain, the grain output reached the second-highest level in history. The output of such major farm products as cotton, oil-bearing crops, tobacco, sugarcane, cocoons, and fruit all reached record highs. The output of cotton increased 91.2 percent; that of oil-bearing crops 13.3 percent; that of flue-cured tobacco 83.1 percent; that of sugarcane 18.4 percent; that of cocoons 113.9 percent; that of fruit 43.4 percent. The output of meats and aquatic products went up 11 percent and 10.6 percent respectively. Township and town enterprises and land reclamation enterprises grew by 28.3 percent and 18.8 percent respectively, and they all achieved simultaneous growth of output value, income from sales, and profits and taxes delivered. The implementation of the following projects was smooth: The goose-and-duck project, the silkworm-and-mulberry project, the fruit-growing project, the exploitation project on large areas of water [da shui mian kai fa 1129 3055 7240 7030 4099], central and southern Jiangxi agricultural exploitation, Ji Hu agricultural exploitation, red soil exploitation, agricultural and forestry commodity bases, and shelter-forest construction on the upper and middle reaches of the Chang Jiang. The arrangements for the capital construction of farmland water conservancy works started early, had a great impetus, and brought forth good results, for which a total of 210 million cubic meters of earth and stone was handled. In afforestation, 7.59 million mu was operated on. All localities focused on exploiting natural resources, renewing varieties, and popularizing advanced practical techniques, and implemented project "1296" for boosting agriculture through science and technology, the "Spark Program," the "Bumper Harvest Program," and the "Prairie Fire Program," which led to the upgrading of agricultural production levels. The construction of old liberated areas and the work in supporting the poor moved into a new stage mainly aimed at terminating poverty and achieving prosperity. The rural socialized service system and two-tier operational system developed further.

Initial successes were scored in the arduous campaign of industrial readjustment and enhancement. Economic efficiency took a remarkable turn for the better, the external environment of large and medium-sized enterprises improved to some extent, and the internal reform of enterprises continued to deepen. Prompt efforts were made to clear debts, reduce stockpiling, promote sales, make up losses, increase profits, and propel industrial growth. The production of large and medium-sized enterprises picked up at an accelerated pace. Last year, the industrial output value was 50.76 billion yuan, up 14.4 percent over the previous year; the output value of large and medium-sized enterprises went up 8.5 percent. The targets of surface communications were fulfilled and both passenger and cargo transport increased. The product mix improved to some extent: A batch of new products was developed according to market demand; the output of readily salable products was appropriately increased; a batch of enterprises closed down or suspended production; and the production of some unsalable and stockpiled products was curtailed or stopped. The targets for power generation and supply were over-fulfilled; new development was seen in coal production; raw materials, products supporting agriculture, high-grade durable consumer goods, and consumer goods for daily consumption increased by a big margin. All the targets for clearing debts, reducing stockpiling, and making up losses were fulfilled. The various localities and departments regarded clearing the "debt chains" as a point of breakthrough for enhancing economic efficiency. The debt-clearing tasks for the whole year were accomplished ahead of schedule. The selling of products by industrial enterprises was stepped up; policies to facilitate the sales were formulated; great efforts were made to reduce stockpiling and handle overstocked commodities. Pains-taking efforts were made in making up losses and increasing profits, saving energy and reducing consumption, optimizing coordination, and ensuring safety in production. Output value and efficiency increased simultaneously. The output value of industrial enterprises within the budget province-wide increased 10.3 percent; the income from sales increased 19.5 percent; the sales tax increased 24.1 percent; the actual profits made increased 65.5 percent; the volume of losses decreased 30.4 percent; the funds held up by unsold finished products decreased 6.7 percent; and the circulation of flowing funds speeded up by 10 days.

The construction of key projects made smooth progress and the stamina in economic development further strengthened. The year 1991 saw the largest number of projects completed and commissioned, which formed a new batch of forces of production. The investment structure continued to improve; industrial and technological transformation made great progress; and basic facilities were reinforced. The investment in fixed assets in the units under ownership by the whole people in various localities province-wide increased 22.7 percent over the previous year, which included the 23.3 percent and 18.2 percent increases in capital construction and renewal, respectively. The proportion of investment in

technical transformation increased; as did the proportion of investment in such basic industries as agriculture, energy, raw materials, transportation, and post and telecommunications, and the proportion of investment in projects for saving energy, increasing variety, and improving quality. The progress of all 30 key capital construction projects listed in the provincial plan met the specifications described in the plan. The No. 2 unit of Wanan Hydropower Station, the No. 1 unit of the second phase of Jiujiang Power Plant, Fuzhou Paper Mill, and Guixi Chemical Fertilizer Plant were completed and went into operation. The organosilicon project of Xinghuo Chemical Industry Factory, the extension project of Jiangxi ammonia water plant, and the high-grade porcelain production line of Weimin Porcelain Factory were all completed on schedule. The construction of Pingxiang Power Plant and Yichun Paper Mill started. Twelve key projects, including Nanchang Bridge, Chang-Jiu highway, the short fiber project of Jiujiang Chemical Fiber Factory, and the synthetic ammonia project of Jiangxi No. 2 Chemical Industry Factory, are now being smoothly carried out. The construction of key railway projects in this province was relatively fast compared to the rest of East China. In post and telecommunications, Jiangxi was the first province to have program-controlled telephone exchange systems and digital long-distance transmission in all localities at and above the prefectural and city level. A batch of key projects of technical transformation went into operation and started to pay off. Throughout the year, over 300 projects were commissioned. Of the 30 key projects of technical transformation, 20 have been commissioned. The second-phase transformation project of Jiangxi Automobile Factory, the import of production lines of Nanchang and Gannan tobacco factories, the polypropylene project of Jiujiang Phosphate Fertilizer Factory, the Vitamin C project of Ganjiang Pharmaceutical Factory, and the micronomycin [xiao nuo mei su 1420 6179 7199 4790] project of Jiangxi Pharmaceutical Factory were all completed and went into operation. At the same time, the provincial government made unified plans for the major construction projects in the coming 10 years, especially in the period of the Eighth Five-Year Plan, and embarked on the preparatory work for a new batch of large and medium-scale projects.

The reforms of state and cooperative commercial enterprises aimed at opening and enlivening started to be popularized; gratifying achievements were made in the reform of the foreign trade system and the system of goods and materials supply; the order in the circulation field further improved; the pickup of urban and rural markets speeded up; domestic and foreign trade grew comprehensively; and the economic efficiency in the circulation field was enhanced to some extent. Financial income and expenditure were balanced and both the financial situation and prices remained stable. The improvement in the contract responsibility system of management in state and cooperative commercial enterprises and commodity enterprises continued. The reform

aimed at separating enterprise functions from government functions in the commodity enterprises at and above the county level throughout the province was carried out. The supply and marketing cooperatives, as a sector, made up the losses and started making profits. The state-owned commercial enterprises reduced losses by 28 percent. Continued efforts were made to harness the turmoil in the circulation field: The arbitrarily installed tax outposts were dismantled and arbitrary collection of fees stopped. Active organizational work was done and guidance was given to peasants to help them enter the circulation field in various forms and engage in purchasing, marketing, wholesaling, and dealing in agricultural products. Market building was strengthened. The grain departments made efforts to do a good job in the purchase, selling, coordination, and storing of grain and worked hard to solve the difficulty facing peasants in selling their grain. The total retail volume of commodities for the whole year was 20.15 billion yuan, up 10.8 percent. The increase rate of retail commodity prices was 2.4 percent. Total export was \$610 million, up 8.6 percent. Costs in terms of foreign exchange decreased and losses were made up and profits earned in the same year. Capital of 330 million yuan was assimilated from outside Jiangxi, and the total amount of goods and materials transferred in and out of this province through coordination was worth 8.86 billion yuan. Tourism quickly picked up and nontrade exchange earnings increased. The financial and tax departments made active efforts to open up financial resources; strengthened the management of taxation; stopped evasion, fraud, and leakage; increased income and reduced expenditure; and achieved a balance of revenue and expenditure province-wide. The banking departments made energetic efforts to attract deposits, make the fund reserves flexible, and increase the input of credit. By the end of the year, the balance of deposits in banks and credit cooperatives increased by 6.48 billion yuan compared to the previous year and the balance of credit in various categories increased by 8.68 billion yuan, giving much aid to the development of production and circulation as well as key construction projects.

The strength of enterprise reforms was increased. Centering around the effort to invigorate enterprises, especially large and medium-sized state enterprises, a batch of reform measures were put forward; fine achievements were made in the reforms of prices, the circulation system, housing, free medical care, and the social security system, and in comprehensive regional reform; the utilization of foreign investment increased substantially; the provincial Document No. 9 for invigorating enterprises was formulated; 10 policies for invigorating large and medium-sized state enterprises, with reference to improving the external environment and deepening internal reform, were put forward; after the central work conference, 10 measures for implementing the conference spirit were put forward; and the various policies and measures are now being carried out. We set about experimenting on a variety of reforms, such as separating profits from taxes, installing the joint-stock system,

installing the internal distribution system of enterprises, and the system of labor employment. A batch of enterprise groups, such as Jiangling Automobiles and Jingdezhen Ceramics, were set up. The flat prices of grain and edible oil, the prices of crude oil, finished oil, and steel products, and railway freight charges were adjusted; the prices of cement under unified rationing were brought onto one track; the prices of civil-use fuels in Nanchang city were adjusted; and the control on the prices of a batch of commodities was gradually removed. The reforms of the housing system, free medical care system, and social security system were carried out on an extensive scale. New progress was made in the reforms in such prefectures as Ganzhou and Yichun. The work in various fields for the opening of Jiujiang port to foreign vessels was carried out with dispatch; the foreign trade pier was completed and commissioned; the extension project of the passenger dock is being carried out according to the plan. The provincial government held or took part in news briefings and merchant fairs in Shenzhen, Xiamen, and Shanghai. The newly concluded contracts on foreign-funded projects throughout the province were worth \$160 million, and the total foreign capital actually used was \$96.76 million, up 88.2 percent over the previous year; 162 wholly or partially foreign-funded enterprises were newly approved, which represented a twofold increase.

The scientific, technological, and educational undertakings further developed. New steps were made in integrating scientific and educational work with economic construction; the input in education was increased through various channels; and the campus construction for primary and middle schools and the replenishment and rectification of colleges were strengthened with much effort. Scientific and technological achievements increased and the work in supporting the poor through scientific and technological means went even deeper. The broad ranks of agrotechnical personnel immersed themselves in the rural areas, conducted technical contracting, and actively popularized advanced agricultural techniques. The number of new industrial technology projects for popularization increased by a big margin: The "Torch Program" made smooth progress and the number of prize-winning scientific research projects greatly increased. The "Regulations for Managing the Technological Market of Jiangxi Province" were promulgated and Nanchang high and new technology industrial development zone was set up. The research in social sciences continued to be active: Old cadres, experts, and scholars offered many valuable suggestions for the provincial authorities in decisionmaking. The "Law on Compulsory Education" was further implemented: The proportion of school age children entering school all over the province reached 98.2 percent and the proportion of pupils not dropping out last year [nian gong gu lu 1628 7255 0942 3764] was 98.3 percent. New achievements were made in adult education and elimination of illiteracy. Professional and technical education moved onward. The "unified arrangements for education in

three categories," "cooperation among three agriculture-related institutions," and the integration of agriculture, science, and education were strengthened. Teaching conditions in the institutions of higher learning were improved and the quality of education upgraded. Dangerous premises were basically eliminated in primary and middle schools and the construction of staff housing speeded up.

The work in family planning was given close attention and marked successes were scored therein. Cultural entertainment, public health, sports, and other social undertakings continued to develop. The building of clean and honest government was strengthened and the conduct of government organs underwent rectification, which promoted the building of spiritual civilization. Governments at various levels conscientiously carried out the policies for family planning, strengthened propaganda and education to this end, installed the target-related family planning responsibility system and the system of one-vote veto [yi piao fou jue 0001 4384 0694 0414], and further reinforced the work force, means, and network of family planning. The population growth rate of this province was kept below the targeted level. The natural growth rate was 14.07 per mille, down 2.98 permillage points. The cultural life of the masses was more colorful. A batch of good works, dramas, books, and actors came forth. Some art works won gold medals in international contests for the first time in history. The book, journal, and audiovisual publication market was put in order. The urban and rural medical and health care services expanded in scope and marked results were obtained in preventing snail fever. The Eighth Jiangxi Provincial Games were held; the athletic level was enhanced; many prizes were won in domestic and international competitions. Journalism, radio broadcasting, television, and publication made new contributions to the building of the two civilizations. Socialist ideological education was conducted on an extensive scale in rural areas; the "two basics" education was conducted in enterprises; and the education focusing on firming up faith in socialism was conducted in schools. Mass activities for building spiritual civilization were carried out. The education on national defense was strengthened. New achievements were made in "supporting the Army and giving preferential treatment to families of revolutionary army men and martyrs," "supporting the government and cherishing the people," and the work on militia reserve duty. Governments at various levels paid close attention to the building of clean and honest government and the rectification of the conduct of government organs. Firm measures were taken to sort out the "three disorders," redress unhealthy tendencies in trades and professions, and investigate and punish violations of law and discipline. The building of democracy and legal system was strengthened. The comprehensive maintenance of social order was stepped up. A batch of major and important cases was handled and severe punishment was imposed on serious criminal activities. Social order was basically stable.



While production was developing, the people's livelihood continued to improve. The total amount of wages paid to workers throughout the province last year rose by 9.6 percent over the previous year. The per-capita income covering living expenses of urban residents increased 8.8 percent. The per-capita net income of peasants was 702.5 yuan, up 32.6 yuan. With price fluctuations factored in, the actual increase of per-capita income was 4.2 percent. By the end of last year, the balance of bank deposits of urban and rural residents registered 18.64 billion yuan, up 30.1 percent compared to the previous year. Employment was provided for 160,000 people all over the province. The supply of water and electricity, transportation, and living conditions for urban residents improved to some extent. There was an abundant supply of meat, vegetables, and other nonstaple foods in urban and rural markets. The social security undertaking at the grass-roots level gained much growth. The scope of vehicular transportation and power supply in rural areas expanded and much progress was made in renovating water supply systems and toilets. The social welfare undertaking and the work for the handicapped further developed.

However, we should also realize that our minds were not emancipated enough, we were not bold enough in conducting the reform and opening up, the policy for economic development was not expansive enough, the macroeconomic regulation and control was not well integrated with the enlivening process on the microeconomic scale, we were inadequate in our exploratory and pioneering spirit, and we failed to carry out certain measures vigorously, which in turn led to our failure in obtaining expected results through some measures for the reform, opening up, and economic construction. In our practical work, we are still faced with these outstanding difficulties and problems: First, the low economic efficiency has not been thoroughly reversed and the industrial efficiency only saw a marginal pickup, far from a complete turn for the better. Second, the economic circulation was not smooth enough. The difficulty in selling some agricultural products, especially grain, was outstanding. The stock of rice of the entire province by the end of last year was some 22 billion jin, holding up a large sum of money. Third, the pace of economic structural readjustment was not fast enough and, in particular, the basic industries were quite weak, restricting economic development; the readjustment of the product mix was not entirely in keeping with the changes in the consumption structure; the capacity for developing new products was small; the quality of products was not high; the types of products that turn out high profits and are heavily taxed were scanty; the competitiveness in the market was inadequate; enterprises lacked stamina for development; and some economic relations were not well sorted out. Fourth, unhealthy tendencies in trades and professions existed to various degrees and the conduct of government organs had yet to improve further. In addition, some problems, such as those of social order, communications, housing,

power supply, and employment, which the general public had been strongly critical of were not well resolved.

## II. Arrangements for Work in 1992

This year is crucial to the acceleration of the reform and opening up and economic development. The entire province should emancipate the mind, release all restrictions, conduct bold experiments, bravely explore new things, speed up the pace of reform, opening up, and economic construction, unswervingly and comprehensively implement the party's basic line of "one center, two basic points," truly steer the economic construction into the orbit of relying on scientific and technological advances and enhancing the quality of workers, switch the focus of economic work to structural reform and efficiency enhancement, wholeheartedly promote the economic construction in our province, push ahead with the building of spiritual civilization and overall social progress, and consolidate and develop political stability and unity.

The main tasks for economic and social development this year are: The provincial GDP is to reach 50.5 billion yuan, up 6 percent over the previous year; the total industrial and agricultural output value is to reach 85.9 billion yuan, up 6.5 percent or, hopefully, up 8 percent. Individually speaking, the agricultural output value is to go up 4 percent or, hopefully, 5 percent; the industrial output value is to go up 8 percent or, hopefully, 10 percent. Revenue is to increase 5 percent or, hopefully, to reach 5 billion yuan. We shall make efforts to overfulfill all these targets in practice. We are now in a favorable time for economic development, therefore we should sprint for a few years to bring the economy of the entire province to a new stage.

**1. In accordance with the requirement of the economic operating mechanism which integrates planned economy with market regulation, further deepen the reform, broaden the opening up, and increase the vitality of the economy.**

Reform is a process of liberating and developing the productive forces. We should boldly experiment on and explore whatever is conducive to developing the productive forces of a socialist society, to increasing the comprehensive economic strength, and to improving the people's living standards. We should boldly draw upon and adopt the good policies and good measures of the coastal areas in developing their economy in light of our own realities. Today, there are rightist things as well as "leftist" things standing in our way, but it is the "leftist" things that are truly deep-rooted. The governments and departments at various levels should further emancipate the mind and actively put forward measures for speeding up the reform, opening up, and economic development. It is necessary to make good use of the two economic means, namely, planning and market. Whether planning or market takes up a bigger proportion is not where the essential difference between socialism and capitalism lies. As far as our province is concerned, we should at the



moment pay more attention to the role of the market mechanism. Since the reform and opening up started, a batch of pathbreakers who had the courage to think, explore, and blaze new trails have emerged. We should care about, cherish, and support these comrades; help them with good intentions when they fail to handle certain things properly; and encourage them to open up new prospects boldly.

The focus of the deepening of reform this year is enterprise reform, and the focus of enterprise reform is the change of operating mechanism. The governments at various levels should support the enterprises in changing their operating mechanisms, bring them into the market, and enable them to truly become socialist commodity producers and operators that make their own decisions in operation, assume sole responsibility for profits and losses, develop on their own accord, and are self-restrained. At present, we should concentrate most of our energies on the reform of labor, personnel, and distribution systems; install the all-member labor contract system, cadre appointment system with a contract nature, and the wage system linked to positions and skills; remove the "big pot," smash the "iron rice bowl," and take away the "iron armchair"; fully mobilize and give full play to the enthusiasm and creativity of the broad ranks of workers; and make it possible for "enterprises to be set up or closed down as necessary, wages to fluctuate, workers to enter when competent and leave when incompetent; and cadres to be promoted or demoted according to their performance." We should conscientiously implement the "Enterprise Law" and separate enterprise management from government administration. Governments should gradually change their role in economic management, further reduce mandatory plans for enterprises, reduce the routine inspection and comparison of enterprises, and give them the promised autonomy. It is necessary to do a good job of the experiments on changing the operating mechanism of large and medium-sized enterprises, sum up experiences in time, and popularize them without losing time. Along with the experiments on the enterprise joint-stock system in Ganzhou and Yichun, it is necessary to expand the experiment on the joint-stock system in Nanchang City and the inter-enterprise joint-stock system; select a batch of urban collective enterprises and township and town enterprises for the experiment on the joint-stock cooperative system; and select good enterprises to form another batch of influential enterprise groups.

In deepening the rural reform in an active and steady manner, the central task is to continue to stabilize and improve the responsibility system, whose main body is the contract responsibility system on a household basis with remuneration linked to output, constantly improve the management system in rural areas in which unified management is combined with separate management, actively develop the socialized service system, gradually expand the collective economic strength, fully mobilize the peasants' enthusiasm in production, let some areas

which have the necessary conditions reach a high level of development first, and activate the development of backward areas.

It is necessary to speed up the reform of the circulation system; set up a batch of transregional and intertrade enterprise groups specializing in economic circulation; develop the rural commodity circulation system; appropriately readjust irrational prices of agricultural products; further reduce the "price scissors" between industrial and agricultural products; speed up the cultivation and development of the commodity market and the market for production essentials and form market networks in different categories and on different scales; and develop individual and private enterprises and strengthen the guidance for and management over them.

It is necessary to further push ahead with the reform of housing, medical, and social security systems. Following the principle of formulating unified policies, making separate decisions, taking varied forms, and suiting measures to local conditions, we should, as soon as possible, formulate and implement the general plan for housing reform, speed up the pace of housing reform, give guidance to consumption, improve living conditions, and subsequently activate the development of construction, the building materials industry, and property business. We should further improve the reform of the free medical care system, so that the workers' basic demand for medical care can be satisfied while the burden of cost is rationally shared among the state, the organization, and the individual; and constantly improve the existing insurance system and gradually expand the scope of social security so that security coverage is extended to job-awaiting people, workers' medical needs, industrial injuries, and women workers' maternity care.

It is necessary to carry on with the good job in regional comprehensive reform experiments. Ganzhou Prefecture should more boldly draw upon the good policies of Guangdong and Fujian in developing their economies and take bigger strides in changing the enterprise operating mechanism and developing wholly or partially foreign-funded enterprises; Yichun Prefecture should concentrate on making new achievements in the building of the rural socialized service system, the integration of industry with agriculture, and the building of small cities and towns; the 18 counties where the experiments on expanded autonomy have been carried out should create new experience in enlivening frontier trade. Nanchang, Jiujiang, Jingdezhen, Pingxiang, and Yingtan should all focus on invigorating state enterprises and promoting the economic development in urban and rural areas, and deepen the reform in a comprehensive way. It is necessary to conscientiously pay attention to the comprehensive experiment on economic restructuring in Zhangshu City and start the building of the Chang-Jiu Industrial Corridor.

In broadening opening up, the focus is on a major breakthrough in absorbing foreign investment. It is necessary to implement even less strict policies and be bold in raising loans and transferring interests, in a bid to utilize foreign capital of \$120 million throughout the year, open 200 wholly or partially foreign-funded enterprises, and set up several such enterprises that are big in size, produce high-caliber products, and have a high technical starting point. It is necessary to actively utilize the loans from foreign governments and international banking institutions and expand the utilization of funds and techniques from outside the province; pay attention to the transformation of old enterprises, integrate grafting with absorption of foreign investment, and support a batch of large and medium-sized enterprises which possess relatively good conditions in following the path of transformation through grafting. Jingdezhen should speed up the development of its foreign-oriented economy, starting with increasing export for earning foreign exchange, using foreign capital to transform its old enterprises, and developing wholly or partially foreign-funded enterprises. It is necessary to seize the favorable opportunity wherein Jiujiang Port is opened to foreign vessels and the Jing-Jiu-Jiu railway is being built, speed up the development of the northern part of the province, integrate port construction with the building of the northern Jiangxi market, integrate the development along the Chang Jiang with the development of the Chang-Jiu Industrial Corridor, and gradually turn Jiujiang into an important port for opening to the outside world in our province. It is necessary to host well the Jiujiang International Dragon Boat Tournament. The opening up in such prefectures and cities as Ganzhou, Yingtan, and Shangrao should further expand. The opening to outside the country should be integrated with the opening to outside the province, and we should carry out the opening up process at various levels and in all dimensions. It is necessary to make energetic efforts to develop tourism and do the work well in various fields for the 1992 International China Tour Year, so as to increase the exchange earnings from tourism. It is necessary to further improve the investment environment, simplify the procedures for examining and approving investment projects, and improve services. We should make active explorations in other reform and opening up measures.

**2. All party rural basic policies are to be stabilized and perfected and agriculture and rural work are to be completely put onto the track toward the direction of becoming well-off. Proceeding from the market, we must readjust the agriculture mix, stress variety and quality, enhance comprehensive agricultural productive capacity and efficiency, strive for an all-around bumper agricultural harvest, and try in every possible way to increase the peasant income.**

We must create a new situation in agriculture and rural work, centered on the target of becoming well-off. We must seriously make arrangements for and carry out the

fourth battle of the general war of agricultural development, stabilize grain production, vigorously and properly readjust the rural industry mix, continue to organize and carry on all projects of agricultural development, stress the large-scale development of livestock, poultry, and aquatic products, and vigorously develop township and town enterprises and agricultural reclamation enterprises. We must stress fine strains and good quality in the planting, forest and fruit, and breeding industries, and ensure an increase in output and income on the foundation of improving variety and quality.

We must make arrangements for the annual gross output of 31.5 billion jin of grain, strive for 32 billion jin, make efforts to increase the unit area yield and to increase variety, and in line with local conditions, vigorously develop dry-land crops, including barley and wheat, beans, and maize, and enhance the quality and commodity rate of grain. On the premise of improving quality and developing the market, it is necessary to develop crops as raw materials for industry, including cotton, oil-bearing crops, sugar cane, tobacco, and silk-worm cocoons. It is essential to develop the forest and fruit industries and to turn the forest industry into commercialized greening work with high efficiency. On the premise of paying attention to the structural readjustment of the variety of forests and trees, it is imperative to plant trees on 4.1 million mu, increase fruit areas by 400-500,000 mu, increase mulberry fields by 200,000 mu, and attach importance to the development of fuel forests. We must regard the development of the breeding industry as a starting point for rejuvenating the rural economy and increase the production of meat and aquatic products relatively greatly.

We must adhere to the policy of greatly developing and improving township and town enterprises and agricultural reclamation enterprises, and strive for a faster speed of development of township and town enterprises than the national average speed. We must simultaneously enhance the level of rural key backbone enterprises and develop household-run and joint household-run enterprises; increase input of talented people, science and technology, capital, and materials, and enhance the scale of enterprise production, product grades, technology levels, and efficiency. We must gradually run agricultural reclamation enterprises as highly efficient commodity production bases.

The fourth battle of the general war of agricultural development has as its target enhancement of comprehensive agricultural productive capacity and serial agricultural products processing capacity and an increase in peasant income. This battle stresses that it is necessary to carry on precise and meticulous processing of products, attach importance to and speed up the building of agricultural development bases and projects, and develop foreign currency-earning agriculture. This battle also emphasizes that it is essential to continuously do well in harnessing mountains and rivers, transform medium and low yield farmland, do a good job in farmland and water conservancy capital construction

and in combating floods and drought, and accelerate comprehensive harnessing of mountains, rivers, and lakes.

We must continuously mobilize all trades and professions to support agriculture, increase the input of capital, materials, and technology in agriculture at many levels and through many channels, and really lighten peasant burdens. It is imperative to build the service structure with science, technology, and circulation as the key points, reinforce agricultural technological service stations at all levels, enable village organizations to provide good services, build and perfect mutual aid savings associations, and develop the rural capital market. It is essential to continue to step up the building of old liberated areas and the work of helping the poor, and vigorously develop the economy at the county level.

In assessing and examining agricultural production in the future, we shall give prominence to the indexes, including the output rate of resources, the growth rate of rural net economic income, the growth rate of peasant net income, and the commodity rate of agricultural products.

**3. Fight well the second battle of the tough war of industrial readjustment and enhancement, quicken technological progress, vigorously develop products occupying a dominant position, vigorously support pillar industries, and strive for a quicker increase on the foundation of the improvement of the product mix and economic results.**

In industrial production this year, we must consolidate our achievements in quality, variety, and efficiency year activities and strive for more remarkable results in the readjustment of the structure and enhancement of efficiency. Budgetary industrial products kept in stock throughout the province must be reduced by 10 percent and preferably by 15 percent, losses lowered by 20 percent and preferably by 30 percent, profits and taxes increased by 15 percent, debt chains reduced by 3 billion yuan, and the stable rate of the quality of major products raised to more than 85 percent.

We must quicken enterprise technological transformation and develop new competitive products. In technological transformation, we must insist on a high starting point, high technology, high efficiency, high standards, and large scale. It is necessary to vigorously support technological transformation in enterprises, particularly large and medium state-owned enterprises, to especially support projects for economizing on energy resources, reducing consumption, developing new products, increasing productive capacity for products in short supply, improving quality, and digesting and absorbing imported technology. Technological transformation must be integrated even more closely with the development of new products to ensure rapid batch production of new products and to occupy the market. It is demanded that 600 new products be developed and 400 new products be made on a trial basis.

In the second battle of the tough war of industrial readjustment and enhancement, the development of production must be linked with expansion of the market, readjustment of the amount increased with the readjustment of the amount in stock, production of agricultural products with precision and intensive processing, production of raw materials with production in the processing industry, and support of quality products with restriction of the production of inferior products. We must continue particularly to support competitive products and enterprises whose profits and taxes each exceed 10 million yuan and give enterprises favorable terms in the supply of energy resources, raw materials, funds, and policy to ensure production of products occupying a dominant position and production in "double-guarantee" enterprises. Products of industries, including light and textile, food, building material, precision and intensive processing, electronic components and devices, electronic machines, and automobile industries, must increase comparatively greatly, and of them, light automobiles must take the lead in becoming a pillar product. Such measures as restrictions on the supply of raw materials, funds, and electric power are taken to resolutely control the production of unmarketable products kept long in stock. Regarding backward enterprises whose products have been kept too long in stock and have been unmarketable, and which have incurred serious losses and stood no chance of development, it is imperative to apply the method of closing down, suspending operations, amalgamating with others, or switching to the manufacture of other products. Urban areas must vigorously develop collective industry, and counties, cities, and districts must develop more collective enterprises.

It is necessary continuously to eliminate losses, settle debts, and clear products kept long in stock. We must help losing enterprises eliminate losses and profit-making enterprises increase surpluses. Enterprises at all levels must carry out the target of eliminating losses and increasing surpluses and eliminate or reduce losses in a specified period. It is essential to vigorously do well in reducing products kept long in stock and promoting sales, to keep ties between reducing products kept long in stock and issuing loans, and to carry out assessment and examination strictly. We must unremittingly step up breaking debt chains, strictly enforce account settlement discipline, and prevent the malpractice of clearing previous debts and owing new debts later.

In strengthening enterprise management, we must begin with on-the-spot management and fundamental work, put the quota system for production, the system of quantitative calculation, and the system of standardization on a sound basis, strictly enforce job, technique, and labor discipline, and put factory regulations and laws on a sound basis. It is necessary to establish the idea that "quality comes first" and link the workers' wages and bonuses with the quality and quantity of their work. Units and individuals who manufacture and sell counterfeit, false, and inferior commodities must be strictly investigated and punished.

To ensure the achievement of the target of economic results, the provincial government will improve the method of assessing and examining economic work and regard the situation in completing all indexes of efficiency as the important contents of the target management by the departments directly under the provincial authorities and all prefectures and cities.

**4. Attach importance to science and technology, develop the education cause, and really shift economic construction onto relying on scientific and technological progress and improving the quality of laborers.**

Scientific and technological work must take economic construction as a major battlefield, find out the common point of scientific and technological progress and the development of production, and speed up transforming scientific and technological achievements into productive forces. To rejuvenate agriculture by means of science and technology, it is necessary to organize and carry out the "1296 project" and to popularize achievements in advanced and practical agricultural science and technology. It is essential to expand continuously the demonstration of pilot projects of agricultural science and technology and to carry out activities, including model operations, to reap a bumper harvest of agriculture, animal husbandry, and fishery, and scientific and technological services for township and town enterprises. We must penetratingly tackle and study difficult agricultural scientific and technological problems in many aspects. We must especially study the technology of selecting and cultivating superior seeds of major crops—including paddy rice, tobacco, sugar cane, cotton, and fruits—high yield cultivation technology, the technology of selecting and cultivating fine strains of livestock, poultry, and aquatic products, and the technologies of comprehensively developing lateritic soil and fodder, and preventing and treating agricultural diseases and insect pests. We must popularize the use of methane and firewood-saving stoves. We must continue to penetratingly ensure regional ecological balance and environmental protection and to carry on study of comprehensive utilization of resources. To rejuvenate enterprises by means of science and technology, we must put in time and energy to enable enterprises to make technological progress. We must carry out a plan for tackling difficult industrial scientific and technological problems, a plan for popularizing scientific and technological achievements, and the "torch" plan. We must develop new materials, including rare-earth and nonmetallic materials and organic chemical industrial materials, accelerate the popularization and application of new technology and new techniques in the course of production, and enhance the technological content of products. It is necessary to attach importance to the development of high and new technology and to support enterprises along the Nanchang-Jiujiang road to develop the industries of high and new technology. We must selectively support the study of a number of fundamental sciences. We must continuously deepen reform of the scientific and technological structure, improve relevant corresponding policies, and further enliven scientific research

organs and scientific and technological personnel. We must vigorously organize the combination of scientific research units and institutions of higher learning with enterprises and provide enterprises with technological advice and services. It is essential to build and run economic entities with science and technology as the guide, to promote the development of the market, and to step up scientific and technological exchanges and technological and trade work. Importance is attached to importing patent technology and enterprise technological innovation is to be initiated. All quarters must unremittingly increase their input in science and technology and improve conditions for scientific research. We must develop the study of social sciences, attach importance to seeking advice on policy decisions, and work out good policies in a scientific and democratic way.

We must completely implement the party's education policy and develop all categories of education work in a coordinated way. We must penetratingly enforce the "law of compulsory education," make primary education universal, and enhance the quality and efficiency of compulsory education. Vocational and technical education must develop more extensively, a number of demonstration senior middle vocational schools must be run well, and society must be provided with all sorts of useful people. Rural vocational and technical education must be vigorously developed. We must attach importance to establishing middle schools specifically in the agricultural field, increase professional schools, and increase the number of students. We must vigorously develop adult education and in-service training, run well junior and senior middle schools and continuation education after eliminating illiteracy, and quicken the training of practical useful people, workers, and peasants. Conditions for and quality of higher education must be improved, training of the leaders of branches of learning must be accelerated, and a number of key branches of learning must be run well. Interprovincial and international academic exchanges must be positively carried on. Ideological and political work must be stepped up in the institutions of higher learning and middle and primary schools to arouse students' patriotic and socialist enthusiasm. Education reform must be vigorously accelerated, the education structure readjusted and bettered, and education quality and teaching efficiency enhanced. It is necessary to reform the system of enrolling and allocating students of institutions of higher learning and to create conditions for making talented people flow to rural areas and grass-roots units. We must mobilize the forces of all quarters, increase education input, speed up building six corresponding facilities of middle and primary school yards, "three corresponding facilities" of compulsory education, and other education facilities, and improve teaching conditions in many aspects. We must attach importance to teacher training education, strengthen the training of teachers of all categories and at all levels, continue to work hard to enhance the social status of intellectuals, improve their working and living



conditions, and resolve their practical problems and difficulties as far as possible.

**5. Widen circulation channels, enliven domestic and foreign trade, completely carry out reform of state and cooperative commerce, accelerate the building of markets, continuously maintain the basic stability of prices.**

The total amount of commercial purchases and sales of the whole society was 22.2 billion yuan, an increase of 10 percent over the preceding year, and the amount of commodities procured for foreign trade and export was 4 billion yuan. Management of enterprises in the field of circulation must be strengthened to speed up the exchange of commodities and to reduce charges for circulation as well as goods kept long in stock. It is necessary to enable state and cooperative retail commerce to open up wider, to enliven reform, and to stress reform of wholesale enterprises. A new mechanism is needed to pour new vitality into state and cooperative commercial and material enterprises to make them give play to their role as main channels in competition.

It is essential to insist on domestic, foreign, and border trade simultaneously, and organize and mobilize commercial, supply and marketing, and foreign trade companies, material and economic coordination organs, production enterprises, and collective and individual commercial undertakings to enliven circulation. State and cooperative commercial enterprises must do well in purchase, marketing, and stock-taking to guarantee market supplies. All policies of encouraging production enterprises to market their own products must be implemented, products made in the province are to be made known and renowned through all sorts of channels and in all forms; the market should be vigorously developed. We must draw lessons from the coastal provinces' and cities' good methods of enlivening circulation to promote sales. While marketing our industrial products well, we must attach importance to marketing our agricultural products. On the one hand, we must intensify the supply and marketing cooperative functions of comprehensive services and expand the scope of operation; on the other hand, we must actively direct rural collective economic organizations and peasants to enter the circulation realm in all forms. Regional blockade is strictly prohibited and all kinds of checkpoints set up by all places must hold a license issued after provincial government reexamination. We must insist that taxes on special agricultural and forest products and livestock and poultry quarantine charges are to be collected by the place of origin. We must ensure smooth circulation of agricultural and sideline products. It is essential to further perfect the contract responsibility system for operation of foreign trade, to do a good job in the internal reform of foreign trade enterprises, to do our best to lower costs in terms of foreign exchange, and to gradually reduce the losses and charge-accounts of previous years. The total amount of foreign trade and export was \$700 million, an increase of 14.8 percent over the preceding year. With specialized foreign trade companies at the provincial level as the major units, we must

further accelerate the process of merging production, supply, and marketing as an organic whole with the integration of trade, industry, agriculture, and technology, continuously vest large and medium enterprises with favorable conditions with foreign trade decision-making power, and enable more enterprises engaged in production and circulation to enter the international market. It is imperative to consolidate our traditional export market and to develop markets in Europe, Latin America, and Southeast Asia, particularly the direct sale market. It is necessary to make efforts to expand export of labor services and contracts for projects and to further develop lateral economic ties.

We must attach importance to building markets, step up building on 45 large markets that are under construction, develop a number of specialized and comprehensive markets in all prefectures, cities, and counties, and develop rural fair trade. We must speed up the development of social service, information, and advisory work and increase the proportion of the tertiary industry in the national economy. The rise in retail prices this year must be controlled at 5.5 percent.

**6. Continue to step up building basic industry and infrastructural facilities, accelerate the pace of building key projects, improve the structure of investment, and really enhance the efficiency of investment.**

The size of investment in fixed assets this year must be brought under control, the structure bettered, and efficiency heightened. We must continuously step up building basic industries, including water conservancy, agriculture, energy resources, communications, telecommunications, industries for agricultural use, and infrastructural facilities, and attach importance to the building of circulation facilities. In conjunction with the readjustment of the industry and product mixes, we must increase the proportion of investment in technological transformation in investment in the fixed assets as a whole, increase the proportion of investment in the total amount of investment, increase the proportion of investment in large and medium projects in the amount of investment in production, and strive for down-to-earth progress in the building of infrastructural facilities and technological transformation. The Nos. 3 and 4 generating sets of Wan'an hydroelectric power station and No. 2 generating set of the second phase of Jiujiang power plant must be completed and generate electricity; the track of Xiangyang-Ji'an railroad must be laid to Ji'an; the construction of the Nanchang-Jiujiang road, the main span of the Nanchang bridge, and Jingdezhen toilet instrument plant must be completed; Jiujiang chemical fiber mill must be put into operation; the construction of Nanche reservoir and Dongjin power plant must begin; the building of the large Jiujiang chemical fertilizer project must begin at an early date and work on the initial period of the third phase of the Jiujiang power plant must be vigorously done well; agricultural development projects, including agricultural development in Jihu and comprehensive development in the central south of Jiangxi, must be stepped up; and

important technological transformation projects in the enterprises, including Jiangxi automobile plant, Nanchang gear plant, Jiangxi paper mill, and Jiangxi cotton textile printing and dyeing mill, and in the Jingdezhen porcelain base must be quickened.

Funds must be raised through many channels, state support sought, capital outside the borders and from other provinces utilized more, and more bonds of local key projects be issued. Attention must be paid to the efficiency of construction investment and projects expounded, proved, and built in order of efficiency and category. In making arrangements for projects, it is necessary first to guarantee projects that will be put into operation shortly and those whose construction is continued. All projects must be carefully organized and built, waste curbed, construction accelerated, and the period of construction shortened. We must work hard to increase the amount of fixed assets made available to users and the number of projects completed and put into operation.

**7. Make still greater efforts to increase revenue and reduce expenditure and try in every possible way to raise all funds and to use them well so that financial and monetary work can serve reform and construction even better.**

Governments at all levels must strengthen leadership over financial and taxation work to ensure that there is a way to make, get, and spend money. We must increase financial revenue, launch the "double increase, double economy" drive, vigorously enliven the economy, increase financial sources, strengthen financial resources at the county level, and do a good job in township and town financial building. It is essential to really strengthen the collection and management of taxes and to curb all kinds of tax evasion. We must strengthen auditing and supervision, pay attention to and strengthen the management of the state-owned assets, and do well in reappraising stocks and assets of state-owned enterprises. All places and departments must plan expenditures in light of their income, strictly control expenditures, resolutely curb the unhealthy trend of spending public funds on eating and drinking extravagantly and giving dinners and gifts, and combat extravagance and waste. Defrayal of administration expenses must be strictly controlled, charges of all places for the purpose of meetings and reception curtailed by 30 percent on last year's foundation, and small car maintenance charges and travel expenses on business also reduced.

In bank credit work, it is imperative to further increase channels for raising funds, check the amount of funds, and better the loan structure. After preliminary arrangements, bank deposits will increase by 4.5 billion yuan, an increase of 16.5 percent; loans will increase by 6 billion yuan, an increase of 14.3 percent. Enterprises are to be helped reduce the amount of three items of funds to be spent, quicken the turnover of funds, and issue bonds. It

is imperative to vigorously develop insurance work to serve economic construction, reform, and opening up.

**8. Really do family planning work well, resolutely control excessively rapid population growth, completely implement the policy of taking prevention as the main work, enhance the people's health standard and population quality.**

We must continuously strengthen leadership over family planning work, trust and rely on the masses, place the focus on rural areas and grass-roots units, improve the responsibility system for management by objective, and continue to carry out family planning work which has great significance. It is necessary to completely enforce "Jiangxi provincial family planning regulations," to strictly implement the policy of birth and technology, to improve the system of birth permits, and to resolutely check early marriage, early child-bearing, and near relation marriage. We must do a good job in family planning and pension insurance and build the grass-roots family planning service network well in line with local conditions. Measures for contraception and birth control must be carried out and importance must be attached to pre-pregnancy management in family planning work. We must adopt scientific nursing methods, ensure quality child care, and strive to improve population quality. The natural population growth rate should be controlled within 15 per thousand, preferably 14 per thousand.

It is essential to completely implement the policy of taking prevention as the main work and to develop the socialized public health service structure. It is imperative particularly to intensify rural public health work, put the three-level medical and health care network on a sound basis, improve this network, and properly implement the cooperative medical and health care system. Rural public health clinics in a dangerous condition must be quickly repaired, and facilities of public health clinics at all levels must be gradually improved. We must really step up prevention and treatment of schistosomiasis, local diseases, and epidemic diseases. Importance must be attached to medical education and medical scientific research, practical medical science and technology must be popularized vigorously, and the standard of medical treatment technology and quality of services must be enhanced.

**9. Continue to enhance the people's living standard, vigorously improve urban and rural residents' living conditions.**

Governments at all levels must do everything in the interests of the people and unremittingly improve the people's living standard. They must stress arrangements for employment and labor safety. The whole province plans to arrange employment for 140,000 people in urban areas who are awaiting employment. On the basis of economic development and potential financial resources, wages of working personnel of administrative units can be suitably increased and the special allowance or bonuses for some intellectuals making outstanding

contributions can be increased; the income of enterprise staff members and workers and the net income of peasants will also continuously increase. We must work hard to make good arrangements for urban and rural markets and carry out the vegetable basket project well. It is necessary to give a living allowance to and to provide relief for households in straitened circumstances and orphans, old and disabled people, and children in urban and rural areas.

We must continue to improve living conditions and quality of people in urban and rural areas. It is necessary to attach importance to environmental protection, prevent and control pollution and other social vices, and protect and improve the ecological environment. We must do well in providing cities with electricity, water, and gas, disposing of rubbish and polluted water, and building public facilities, including communications, amusement places, and greening, protect the sources of drinking water wells, and improve the quality of water. We must take five to eight years to solve the problems of drinking tap water for urban residents and safe and sanitary drinking water for rural residents. We must gradually solve urban and rural practical problems of roads, schooling, child nursing, and medical treatment. We must step up road construction and management and clear all kinds of unlawful buildings on both sides of roads, streets, and rivers, especially roads built by the state and the province. We must change dirty, chaotic, and bad phenomena, carrying on this work unremittingly. Urban and rural residents' living conditions must be vigorously improved, and new urban and rural housing areas of the whole province must record an increase over the preceding year.

**10. Further accelerate the building of socialist spiritual civilization, step up the building of socialist democracy and legal system, do well in comprehensively tidying up social order, strengthen clean and honest administration, and improve the style of work of organs.**

We must completely understand the basic meaning of building socialist economy, politics, and civilization with Chinese characteristics and insist on stressing material, cultural, and ideological progress so that socialist material and spiritual civilization can promote each other and develop in a coordinated way.

We must further make cultural and fine art causes flourish, build the socialist cultural position well, and launch an advanced cultural county (district) drive. Literature and art workers are encouraged to go deep into realities and life, and heroic models and advanced deeds on all fronts are to be vigorously propagated. The cultural market is to be continuously purified and made thriving, and the struggle of "eliminating pornography" unremittingly carried on. News and publication work is to be done well, the party's basic line, principles, and policies completely and accurately publicized, information about economic construction, reform, and opening up disseminated, and achievements in socialist construction and the people's mental attitude are reflected. We

must strive to enhance sport and athletic standards, strengthen the building of sports ranks and training of reserve talented people, develop mass sports, and improve the people's physical quality.

We must seriously study Marxism-Leninism-Mao Zedong Thought and Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, extensively and penetratingly conduct education in patriotism, collectivism, and socialism, and step up ideological and political work and moral education. We must also conduct rural socialist ideological education. We must continue to launch the emulation drive of "three goods" [building a good environment, establishing good order, and providing service of good quality] as well as the drive of civilized units. We must further step up national defense education and militia and reserve service work, extensively carry out the activities of supporting the Army, giving preferential treatment to the family members of martyrs and servicemen, supporting the government, and cherishing the people and building civilization with Army-people joint efforts.

It is necessary to seriously implement the resolutions of the people's congress and its standing committee, to consciously accept supervision of the people's congress according to law and the democratic supervision of the Chinese People's Political Consultative Conference [CPPCC], and to seriously handle the motions and suggestions of the people's congress deputies and CPPCC committee members. We must strengthen links with the trade union, Communist Youth League, and the women's federation and all democratic parties, federations of industry and commerce, and nonparty personalities, arouse the enthusiasm of all quarters, and exert joint efforts to do Jiangxi work still better.

It is essential to strengthen the building of the legal system, put supervision and inspection of administration and law enforcement on a sound basis, popularize law education, and enable governments at all levels to carry on administration and management according to the law. We must simultaneously carry out reform and opening up and crack down on all sorts of criminal activities, do well in comprehensively tidying up social order, and resolutely and strictly crack down on criminal activities that seriously jeopardize social order. According to the law, we must severely strike blows at the crimes of drugs, abducting women and children, strictly prohibit prostitution and going whoring, and punish serious economic crimes, including graft and giving and receiving bribes. In light of the actual situation of our province, we must continuously crack down on special criminal activities and comprehensively solve problems of theft, waylaying, gambling, and fighting with weapons between clans, about which the masses have complained and which jeopardize social order, until results are achieved. We must fully mobilize and rely on the masses to do well in preventing crime, work hard to solve all sorts of problems of social order in

grass-roots units and embryonic stages, and strive to further improve social order.

We must continuously step up rectifying the organs' style of work and building clean and honest administration, further correct unhealthy trade trends, resolutely curb the malpractice of indiscriminately collecting fees and charges and imposing unjustified financial levies, and guarantee that government orders are carried out. We must concentrate forces to investigate and deal with serious cases and openly handle typical serious cases that produce extremely bad effects. We must strengthen ideological education for cadres, establish public servants' consciousness and the working customs of being diligent, pragmatic, highly efficient, and modest, and enhance our creative working ability. We must be honest in performing our official duties and wholeheartedly serve the people. It is essential to combat bureaucratism, to shun formalism, to indulge in less empty talk, to do more practical work, and not to pay lip service. Coordination between departments must be strengthened and efficiency enhanced. It is imperative to continuously implement and improve the government's responsibility system for management by objective and the leader's tenure target responsibility system. The leading cadres at all levels must go deep into the front line of reform and construction to conduct investigation and study, do work in a down-to-earth manner, and really achieve results. They must handle the masses' letters and visits well, listen to their opinions, get rid of their worries, resolve their difficulties, and further keep close ties with them. It is imperative to really strengthen work in aspects of nationalities, religious, overseas Chinese, and foreign affairs, culture, history, and archives.

All deputies!

In the coming year, our tasks are glorious but arduous. We must further emancipate our minds, seize the opportunity, accelerate reform and opening up, readjust the economic structure, and take scientific and technological progress seriously. We must enhance economic results, promote economic construction and the other aspects of work with one heart and one mind, and make still greater contributions toward the rejuvenation of Jiangxi!

## INDUSTRY

### Steel Production Sets Record in First Quarter

HK1604065492 Beijing CHINA DAILY in English  
16 Apr 92 p 2

[By staff reporter Zhang Wu'an: "Output of Steel Hits Record High"]

[Text] China's steel production hit a historic high in the first quarter of this year, an official with the Ministry of Metallurgical Industry told CHINA DAILY yesterday. In the meantime, industrial efficiency also improved

substantially in the first three months, Lu Youqi, an official from the ministry's Production Department, said.

During the first quarter, Lu said, the country's metallurgical industry produced 19.2 million tons of steel and 15.42 million tons of rolled steel, up 15.43 percent and 19.58 percent respectively from the same period last year.

Meanwhile, pig-iron output also increased by 14.87 percent to 18.03 million tons.

Lu attributed the strong growth to exuberant demand in the domestic market.

The ministry also took effective measures to increase its varieties to meet market demand, Lu said.

In the first quarter, output of popular domestic steel products, such as steel plates, tubes and strips, reached 1.1 million tons, up 23.36 percent from the same period of last year.

Despite production and efficiency increases, some problems still remain, Lu said.

For instance, transportation problems have affected the supply of raw materials and the transportation of steel products.

Slow transportation of steel products has already caused inventory increases in steel plant warehouses.

### Textile Industry To Stress Synthetic Production

OW0904141692 Beijing XINHUA in English  
1339 GMT 9 Apr 92

[Text] Beijing, April 9 (XINHUA)—China's textile industry will focus on the production of chemical fibers during the Eighth Five Year Plan period (1991-95), according to the latest issue of the CHINA TEXTILE NEWS.

Speaking at a recent conference on major textile industrial projects, Shen Lanzhen, vice director of the planning department of the Ministry of Textile Industry, said that the industry will expand the production of chemical fibers and their related products.

The production capacity of the nine projects in chemical fiber industry under construction now will account for over one-third of the total newly increased capacity of the country's chemical fiber industry during the whole Eighth Five-Year Plan period. Four of the nine projects are expected to go into production within this year, Shen said.



### **Clothing Industry Upgrades Production**

*OW0104145392 Beijing XINHUA in English  
1435 GMT 1 Apr 92*

[Text] Guangzhou, April 1 (XINHUA)—China's clothing industry will focus on producing suits, fashion clothes and shirts while upgrading equipment and production methods, a Chinese official said today.

The official, Wang Hainan, made these remarks at the '92 International Fashion Apparel Exhibition which opened here today. He is chief organizer of the exhibition.

Wang said China will shake up its clothing industry and upgrade production of such clothes as children's wear, costumes for men and women, shirts, suits and down clothing.

The industry will gradually make use of computer designing and cutting, steam ironing and other sophisticated technology in making clothes, according to Wang.

China now has more than 37,000 companies manufacturing clothing, among which 2,200 are Chinese-foreign joint ventures. They have an annual production capacity of 3.5 billion articles of clothing.

However, Wang said present production designs of fashion apparel and accoutrements will soon be outdated.

More than 10 types of items including buttons, trade marks, sashes, handbags, belts, shoulder pads and zips are on display at the exhibition.

Also on show are button machines, machines for making trade marks, and computer-controlled embroidery machines among others.

Such an exhibition is expected to help Chinese manufacturers to learn from their foreign counterparts and change the unbalanced apparel production situation in China, according to Wang.

Nearly 100 companies from Japan, Malaysia, Germany, Italy, South Korea as well as from the mainland of China sent their products to the five-day exhibition at the Guangzhou International Exhibition Center.

In addition, a Chinese clothing and adornments design symposium will be held during the show. Professors and designers from the Central Institute of Arts and Crafts, Beijing Institute of Clothing Technology, and major garment manufacturers will participate in the meeting.

### **CONSTRUCTION**

#### **Jixi City Issues Housing Reform Plan**

*SK0404033692 Harbin Heilongjiang People's Radio  
Network in Mandarin 1000 GMT 2 Apr 92*

[Text] With the approval of the provincial housing reform leading group, Jixi City has officially issued its housing reform plan recently. This is our province's first urban comprehensive housing reform plan.

The housing reform plan of Jixi City mainly includes the following six points:

1. Rent rise and allowance issue. The rent for every square meter of houses will be raised from 0.2 yuan or so to 0.4 yuan. Each worker will receive a housing allowance of 2 percent of his standard wage.
2. Preferential terms will be given to the sale of old public houses, but the house sum must be completely paid within three years. Those who give the house payment all at one time will enjoy a 30 percent discount.
3. Establish housing construction funds, open housing saving programs, and induce the people to spend their money on buying houses.
4. Implement the accumulation fund system. Beginning from January of this year, workers and the units to which they belong should respectively keep a monthly saving of 5 percent of the wages of workers. When the workers are transferred to other units or retired, their capital and interest must be totally returned to them.
5. Collect funds to build houses on a cooperative basis. For every square meter of houses, the individuals should pay at least 250 yuan and the rest of the sum will be paid by the government or the units to which the workers belong.
6. Encourage the individuals to build houses. When a worker builds houses, the units to which he belongs must provide him with necessary support.

According to rough calculations by the Jixi City housing reform office, after the implementation of the aforementioned six points of the housing reform plan, Jixi City may increase or have an annual housing fund of nearly 300 million yuan for use to build 500,000 square meters of new houses, and will attain or surpass the national demand for an average of eight square meters of houses for each person within 10 years.

It was learned that the main reason for Jixi City to take the lead in the whole province in issuing the comprehensive housing reform plan is that the masses have a correct understanding of housing reform. This city has conducted housing reform experiments over the past five years and enabled the average per-capita living space of the people throughout the city to increase from 3.8 square meters to 5.1 square meters, thus bringing hope to the people for ease their housing difficulties. Over the

past five years, the individuals have collected more than 200 million yuan to build houses with a floor space of more than 100 square meters. Workers who had no hope in the allocation of houses and had no money to build houses in the past, have their own houses for the first time through the support of the state and their units, and their own efforts. Therefore, the concept of spending money to buy a house has won support among the people and become the motivation for promoting housing reform.

### **Housing Mortgage Loans Available in Shenzhen**

*OW1704120692 Beijing XINHUA in English  
1030 GMT 17 Apr 92*

[Text] Beijing, April 17 (XINHUA)—Housing mortgage loans have been provided by the Construction Bank to promote housing sales in the Shenzhen Special Economic Zone, south China.

The Shenzhen Construction Bank began to provide such loans last August. Statistics show that since then the bank has released mortgage loans worth some 150 million yuan and five million Hong Kong dollars. Some 4,000 households of Shenzhen residents have bought their apartments with the loans.

An official of the Shenzhen Construction Bank said that the mortgage loans not only help some people to buy apartments, but also can speed up the capital circulation to promote the development of the commercialized apartments.

## **LABOR**

### **Labor Reform To Be Strengthened**

*92CE0323A Beijing JINGJI RIBAO in Chinese  
20 Feb 92 p 3*

[Article by Huang Chun'e (3385 2504 5501), outstanding national entrepreneur and General Manager of the Dalian Petrochemical Company: "Reform of the Enterprise Labor System Cannot Be Superficial"]

[Text] With the loud cries of smash the "three irons and one big pot," reform of the enterprise labor system has become the current hot topic. Although it appears that there have been achievements in labor system reform in some pilot project enterprises, there are also some problems that cannot be overlooked. Primarily, these are: That employee ideology and understanding have not been unified, foundation work for reform is incomplete, and measures are not complete. Some enterprises, however, are anxious to sign labor contracts with all personnel and thus are using state policy to increase the volume of labor wages, and create a new egalitarianism. Some people mistakenly think that labor system reform only amounts to increasing wages, and therefore labor system reform is superficial. This careless way of doing things is very dangerous, and we are watching it closely.

### **Reasons Why the Difficulties of Labor System Reform Are Very Deep-Seated**

I think there are three reasons for the appearance of the above problems in labor system reform:

First, reform theory has not caught up with practice. Some theoretical issues have not yet been thoroughly explained, and this is reflected clearly in the understanding of the "three relationships." One is relying wholeheartedly on the relationship between the worker class and carrying out the labor contract system for all personnel; second is the relationship between enterprise masters and servants; and third is the relationship between the superiority of socialism and workers waiting for employment. Some people think that, because we rely wholeheartedly on the worker class, we should not have a contract system, and, because socialism is incomparably superior, we should not have unemployment. Unclear knowledge of theory has led some people to be indifferent to, or even to have negative feelings about, reform.

Second, worshiping the inherent idea of egalitarianism. Some people have gotten used to collecting iron wages, sitting in iron armchairs, and holding iron ricebowls, so employing a labor contract system for all personnel and doing away with "the big pot" is bound to lead to a clash between reform and the idea of egalitarianism. The variations of reform of the labor and the distribution systems are the result of the clash between new and old ideas.

Third, the system of safeguards inside and outside the enterprise is not complete. In setting up a labor contract system for all personnel and carrying out optimized combinations, and work position appointments there are bound to be personnel waiting for employment. Finding positions for these people is a thorny issue. At this stage, we cannot complete reform because of the system of social safeguards. People who leave their positions will be absorbed primarily within the enterprise, but some enterprises may fear disturbances in the rear. This is an important reason why the labor system reform in these enterprises has been superficial.

### **Labor System Reform Should Do Solid Work**

Labor system reform is an enormous and complex task. Carrying out this task requires that we clearly understand the situation and correct our ideology. At the same time we should pay attention to scientific working procedures, work methods, and solid and precise performance of our tasks. I think that employing a labor contract system for all personnel and carrying out in-depth reform requires doing three important tasks: 1) Determining the number of staff members, determining the number of positions, and determining staffing. Enterprises should adjust labor organization, and resolve problems of "one line is vacant, one line is understaffed, and one line is overstaffed" in line with the actual situation in production and administration and on the basis of the principles of "streamlined, unified, highly

efficient, and economical." 2) Draft standards for positions. Position standards should integrate the actual circumstances of the unit and the position. The standards should include professional ethics, position responsibilities, specialized knowledge, practical skills, safe production operating rules, educational level, and physical condition. 3) Conscientiously evaluate positions. Analyze the four major elements that affect labor (skills, responsibility, intensity, and environment) in line with the enterprise's production characteristics and the labor conditions of the various types of working positions and establish a labor factor index evaluation system and grade each position. Determine the labor difference of different positions by grade and divide them into position ranks and formulate position wage standards by rank. 4) Improve position training and assessment. In a planned and measured way carry out position technical training for employees, carry out multiple form, multiple level, and multiple location classes in accordance with the demands of worker and cadre position standards. While strengthening training we should improve employee assessment. We should adopt the method of "doing three things simultaneously": theoretical testing, practical operations testing, and daily work assessment, in which we assess comprehensively and employ rationally. 5) Reasonable combination and position appointment. Based on the principles of "public conditions, equal competition, strict assessment, selection and employment of the best, two-way selection and optimal assignment," enterprises and employees sign labor contracts on the foundation of bilateral willingness and reach unanimity through consultation. When signing a labor contract, the enterprise should explain long-term and short-term policies and goals and relate them to the position and the individual so that there is organic unanimity in the relationship of responsibilities, rights, and benefits of the enterprise and the individual so that they can move up or down. 6) Draft position skill and wage standards. Determining position skills and wage standards requires observing four principles: 1. Fully embodying the principle of distribution according to labor so that the employee's compensation for labor is closely bound with skills, responsibility, intensity, environment, and contribution. 2. Favoring first line production, hard, dirty, tiring, and dangerous positions and high tech positions. 3. Integrating with the actual situation in the enterprise, summarizing experience in practice, and constantly advancing and improving. 4. Coordinating with reform of the hiring, labor insurance, and employee training and assessment systems. 7) Create new opportunities and make appropriate arrangements for excess enterprise personnel. Over the next few years, excess personnel should still be absorbed primarily by the enterprise. We should "first dredge the channel, then release the water," adopting such solutions as redistribution within the plant and export of labor service, creating new opportunities for production, management and service or starting training and training on rotation. Excess personnel who cannot be placed within the enterprise may await employment in the plant; wages and bonuses

during the unemployment period should be substantially lower than those for employees who are on the job. The enterprise should maintain a certain unemployment rate. Employees could be dismissed on the basis of unemployment to a certain limit, and society should accept it.

#### Several Suggestions for Accelerating Reform of the Labor System

1) Intensify propaganda to create a strong public opinion favoring reform. Propaganda work must be directed against something. Key propaganda work must counter unclear theory, muddled thinking, and reform plans, policies, and measures. The goal and significance of labor reform must be made known to all. 2) Because of differences in enterprises, different enterprise situations, level of economic development in various areas and major differences in work foundation, in-depth labor service reform, which carries out labor contract system for all personnel, should be promoted actively but cannot be done hastily. Pilot projects must be carried out in a planned and measured way. Then, summarizing experience on the basis of the pilot project, the practice should be promoted comprehensively. 3) Specialists must be trained to evaluate positions. Position evaluation involves many things, such as labor organization, labor hygiene, labor physiology, environmental monitoring, mathematical statistics, and computer applications. By combining assessment by specialists with the masses' position review, the ranking of positions thus determined will conform to the actual situation and thus the wages determined for the position may be more rational. 4) The social security system should be improved as quickly as possible. Improving the social security system primarily involves actively promoting reform of the social security system. We must change the past practice of the state and enterprise bearing the entire burden of employee insurance, adopting instead a method in which it is shared by the state, the enterprise and the employee. On the basis of experience in pilot project enterprises, the individual employee's contribution to unemployment insurance can be a 3 percent deduction from the employee's monthly base wage. In this way, we can employ the lever of social insurance to regulate and control the unemployment problem: During the first year of unemployment, the enterprise can draw an amount equal to one year's wages from the insurance funds, and provide it to the employee through the social insurance department; after one year, the social insurance department will provide the unemployment relief funds until the worker is employed again. This is a good measure for resolving the difficulty of enterprise dismissing employees. 5) The attitude should be positive, work should be careful, measures should be appropriate, and results should be clear.

#### POPULATION

**Jiangsu Province Releases Population Figures**  
*OW1604055192 Nanjing XINHUA RIBAO in Chinese*  
2 Apr 92 p 1

[Text] The provincial Public Security Department recently made public the following 1991 population: As

of the end of 1991, Jiangsu had a total population of 67,338,734—an increase of 621,444, or 9.27 per thousand, when compared with that at the end of 1990. Its nonagricultural population was 14,285,106, or 21 percent of the total population; the number of males totalled 34,392,928, or 51 percent; females 32,945,806, or 49 percent. Nanjing had a population of 5,064,392; Wuxi, 4,212,206; Xuzhou, 8,201,664; Changzhou, 3,268,727; Suzhou, 5,642,658; Nantong, 7,788,392; Lianyungang, 3,462,126; Huaiyang, 10,042,109; Yancheng, 7,773,339; Yangzhou, 9,292,639; and Zhenjiang, 2,590,482. Of the total population, permanent residents accounted for 67,107,381, or 99.6 percent, while nonpermanent residents accounted for 231,353 or 0.4 percent. The total number of households was 19,875,522, averaging 3.39 people per household.

In 1991, 984,105 people were born, representing a birth rate of 14.68 per thousand. Of this total, 534,594 were male and 449,511 were female, showing a ratio of 100 to 119 between girls and boys. Deaths amounted to 394,363, showing a death rate of 5.88 per thousand. The province added 589,742 people through natural growth, showing a natural growth rate of 8.8 per thousand.

With the approval of the State Council, Rugao County and Gaoyou County were redesignated as cities. As of the end of 1991, Jiangsu had 17 municipal-level counties and 47 ordinary counties. With the provincial government's approval, 17 towns directly under the jurisdiction of cities and 20 towns under the jurisdiction of counties were set up in 1991. As of the end of 1991, the number of towns had increased to 617 with a total population of 22,270,984. Of the 617 towns, 44 were suburban towns under the jurisdiction of the provincial government, 189 were under the jurisdiction of county level cities, and 384 were under the jurisdiction of counties.

## AGRICULTURE

### Chen Yaobang Signs Cooperation Accord With India

OW1104154292 Beijing XINHUA in English  
1334 GMT 11 Apr 92

[Text] Beijing, April 11 (XINHUA)—A memorandum of understanding on agricultural cooperation between the Chinese and Indian Ministries of Agriculture was signed here today by Chinese Vice-Minister of Agriculture Chen Yaobang and Indian Vice-Minister of Agriculture R.C. Kapila.

Chinese Minister of Agriculture Liu Zhongyi attended the signing ceremony.

As major agricultural countries in Asia, there are broad prospects in agricultural cooperation. The signing of the memorandum would further consolidate and develop the cooperation in this field between the two countries, an official of the Chinese Ministry of Agriculture said.

### Jiangsu Uses Foreign Loans To Develop Irrigation

OW1604115192 Beijing XINHUA in English  
1004 GMT 16 Apr 92

[Text] Nanjing, April 16 (XINHUA)—Construction of an agricultural irrigation project funded by a 104.5 million U.S. dollar loan from the World Bank began recently in east China's Jiangsu Province.

The project will be carried out on 390,000 hectares in 24 counties in four cities, including Xuzhou, Huaiyin, Lianyungang and Yancheng.

The loan will be used to construct four large-scale pumping stations which will provide an additional two billion cubic meters of water for the area, as well as to improve medium- and low-yield farmland, strengthen the promotion of agricultural technology, and improve the ecological environment.

The program, which began in September, 1991, and is scheduled for completion within five years, is expected to increase the region's annual production of grain by 900,000 tons, oil-bearing crops by 20,000 tons, and cotton by 150,000 tons.

### Jiangsu Adopts Measures To Fight Poverty

OW1604080292 Beijing XINHUA in English  
0720 GMT 16 Apr 92

[Text] Nanjing, April 16 (XINHUA)—East China's Jiangsu Province is adopting positive measures to help poor areas in the northern part of the province to cast off poverty.

Northern Jiangsu is the province's main commodity grain production base. But, because of historical and geographical conditions, the average per capita income of seven counties there is less than 500 yuan, and the average income per capita of 59 local towns is less than 400 yuan.

Early this year, the Jiangsu provincial party committee and government worked out a strategy to speed up the development of the area. To implement the measures, the province organized a 600- person poverty-relief working group to help draw up economic development plans for the poor areas.

The province has also encouraged officials in 10 economically-developed counties, cities and prefectures to spend some time working in 10 poor counties.

Meanwhile, the provincial agricultural bank has allocated 60 million yuan in special loans to help develop agricultural and side-line production and township enterprises in the 59 towns. The provincial finance department has, meanwhile, increased its budget by five million yuan in order to develop township enterprises in the target areas.



### **Qinghai Fighting Worst Drought in 37 Years**

*OW1604080792 Beijing XINHUA in English  
0741 GMT 16 Apr 92*

[Text] Xining, April 16 (XINHUA)—Local governments in western China's Qinghai Province are putting forth great effort to battle the worsening 10-month drought which has had a severe impact on daily life and industrial and agricultural production.

Since last summer over 50,000 square kilometers in the province has suffered from a severe drought which is reportedly the worst in the past 37 years. The water volume of rivers in the area has dropped by over 60 percent.

According to Deputy Governor Ma Yuanbiao, some 400,000 ha or two-thirds of the province's farmland is drought stricken, and mountainous areas are unable to plant crops because of a lack of water.

At the same time, the heavy drought conditions on over four million ha of grasslands surrounding Qinghai Lake during the past two years have resulted in a large-scale decrease the output of grass [passage as received].

Nearly one million of the province's 4.4 million population suffer from a shortage of drinking water, as do over 4.5 million head of livestock.

A number of enterprises in Xining, the provincial capital, have ceased operation because of the [passage as received] city is forced to cope with a daily water shortage of 30,000 tons. The city government has also instituted rationing in order to restrict water usage.

The provincial meteorological station forecasts that the drought will be worsening by mid-May, a crucial period for ploughing and planting in the province.

As part of an effort to lessen the effects of the drought and keep losses to the minimum, local governments at all levels have spared no effort to mobilize local farmers and herdsmen to construct additional water conservancy facilities.

Several attempts at cloud seeding in the drought stricken areas have helped ease the problem to a certain extent.

The province has also trained 600,000 farmers and technicians to develop crops suitable for arid conditions.

**KMT's Constitutional Reform Scheme**

92CM0227A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 258, 22 Feb 92 p 8

[Article by Nanfang Shuo]

[Excerpt] [passage omitted] At this time when the mobilization order for the Provisional Meeting of the Second National Assembly has been issued, the constitutional reform scheme of the ruling party has also been gradually revealed. Its content makes people shudder and is thoroughly disappointing. It is not conservatism trying to preserve the outmoded and outworn, or to stick rigidly to conventional legality. It is actually a creation against human intellect, even more daring than conservatism.

Since the advent of democracy in political life, the greatest common wisdom of mankind is the production of a power balancing system. The latter did not come by design, but rather step by step grew out of the soil of common experience. A National Assembly which has the right to supervise and to sanction in order to control the ever expanding executive power, and which has a regular operation like the executive power is the ultimate result of this experience and accumulated wisdom. Only such a National Assembly can manage to tame the bureaucracy that tends to go its own way.

Our Five-Power Constitution is not such a system. The pioneer framers of our constitution some half century ago were short on concrete democratic experience, and the constitution they drafted has its limitations. These "limitations" are not their "fault"; but when posterity refuses to adjust these "limitations," they become "faults."

The constitutional reform scheme of the ruling party is full of mistakes. It follows the outmoded convention and keeps on separating the Legislative Yuan and the Control Yuan which should be merged; the politics of the National Assembly will consequently continue to be abnormal. Worse than what the pioneers did half a century ago is that the scheme attempts to change the method of electing members of the Control Yuan to nomination by the president with the consent of the National Assembly. This kind of conception has never been seen in the history of human civilization. Mankind has two kinds of creations, one is "great cleverness" and the other is "great stupidity," we don't know which kind this constitutional reform is.

The change in the method of selection of members of the Control Yuan is an unprecedented "anti-intellectual" invention. The "forced appointment system" in the election of the president is a brand new design that will confuse all political scientists, political activists, and the voters. When people vote, each vote should have a clear theme without any equivocality or confusion. In an election of the "forced appointment system," there is equivocality in a vote, because it involves the election of president, vice president, and representatives of the National Assembly. The right to elect the president, and

vice president, the right of National Assembly representatives to amend the Constitution, the right to exercise the power of consent by the National Assembly are all decided in a single vote. Has there ever been a vote as strange as this in the 5,000 year history of mankind?

All these, though "anti-intellectual," can still be understood as an improvisation, making changes according to one's whim, and all consideration to prevent other people or other parties to participate in the competition for the presidency, and to prevent the normal exercise of power of the National Assembly.

Half a century ago, our pioneer framers of constitution knew how to consult the Weimar Constitution. But nowadays our constitution reformers are so affected and daring that they disdain all common wisdom of mankind, and are blind to reality. Maybe that is what we should find very scary!

**Businessmen's Investment Experiences in Mainland**

92CE0361A Taipei CHING-CHI JIH-PAO in Chinese 17 Feb 92 p 3

[Article by Liu Hsiu-chen (0491 4423 3791): "There Are Numerous Restrictions on Products for Sale on the Domestic Chinese Market"]

*Editor's note: As indirect trade between Taiwan and the PRC is expanding rapidly, the many Taiwanese manufacturers and business firms that are investing in Mainland China are acquiring varying experiences. CHING-CHI JIH-PAO is beginning a special column today, 17 February 1992, entitled "Taiwanese Businessmen's Experiences in the PRC," as reference material for readers on the hardships and difficulties being experienced by Taiwanese investors in Mainland China.*

[17 Feb 92 p 3]

[Text] As the growing trade friction between the PRC and the U.S. is not likely to ease up in the near future, the past long-range U.S. market prospects of Taiwanese investors in mainland China have also become unpredictable. While this is making their struggle for mainland Chinese domestic markets increasingly important, there are currently many restrictions on the mainland Chinese domestic market share of Taiwanese businessmen.

When Lin Hsiu-lung [2651 4423 7127] invested one and one-half years ago in a factory in Xiamen that makes lamps and lanterns, he was promised a 30 percent domestic market share right from the start, with the other 70 percent of his products being for export. This made him quite lucky, as this was the highest domestic market share allowed to joint-venture enterprises by the PRC. He attributed his success to the efforts he had made in cultivating mainland Chinese partners. He remarked that "in short, it is necessary to rely on interpersonal relations, as many things can be accomplished easily with good connections!"

This points up the hard work that is necessary to acquire domestic market share from mainland China when first setting up factories there. Lin Hsiu-lung recently had to go again to Xiamen to discuss increasing his domestic market share, because Mainland Chinese enterprises had taken a fancy to the products made by his Jinteqi Lighting Company. Even though his products are priced 40 percent higher than local ones, they are still in demand. In fact, this is a way of gaining domestic market share.

Chiang Jung-hua [1203 2837 5478], chairman of the board of the Tuiyung Corporation, Ltd, spoke even more clearly about gaining domestic market share in Mainland China. He also invested in Xiamen in 1991, in a knitting mill that now employs over 100 workers. He said that "the most important factors in winning the approval of the Mainland Chinese Government for domestic markets are that products be distinctive and produced by joint-venture enterprises." Other key factors in gaining domestic market share are products being in short supply or not even being produced locally. The current ratio of domestic sales to exports of the Tuiyung Corporations mainland mill is 25 percent: 75 percent.

Chiang Jung-hua's experience in setting up a factory in Xiamen shows that it is necessary first to submit investment plans to the Xiamen government and then, after a municipal on-the-spot investigation, to apply to the Fujian Province government for an accounting of domestic market share. But Taiwanese businessmen still usually face numerous difficulties in acquiring Mainland Chinese markets, so that Chiang Jung-hua's experience is very seldom feasible. This is because domestic market prices must be reduced to meet local consumer standards, sales channels are not open, many key links have to be gotten through, and it is not unknown for Taiwanese businessmen to be cheated by local people.

In fact, as stipulations differ from place to place on Mainland China, many restrictions and results also differ. Kao Ta-jen [7559 1129 0117], the general manager of the Limin Sporting Goods Company, who often comes and goes between Taiwan and Mainland China in pursuit of trade, says that some Taiwanese investors in Mainland China have already set their sights on Chinese domestic markets. For instance, the telephone factory set up in Huizhou by Wu Szu-chung [0702 1835 6945], chairman of the board of the Hsiling Electronics Corporation, now has domestic Chinese market sales of 20,000 telephones a month. That this telephone has become the No. 2 brand name telephone in Mainland China, shows that Mainland China is actively importing Hsiling electronics technology.

In some cases, remote districts specially increase domestic market share to attract foreign investment. This was the case with the Tungyi Enterprise that set up a factory in Xinjiang. All of these examples are good references for Taiwanese businessmen who are planning to invest in Mainland China.

[18 Feb 92 p 3]

[Article by Yu Chun-hua (3266 6874 5478): "Factory Site Selection Is Subject to Many Considerations"]

[Text] As setting up factories on mainland China has become the most favored move for traditional industries, how to choose sites for building factories, in order to bring geographic advantages into full play, has undoubtedly become a major test for Taiwanese businessmen. Experienced manufacturers and business firms note that factors such as industrial links and smooth production and marketing operations, should be used to evaluate the most suitable sites for setting up factories. Choosing the wrong site would be very unfavorable to future expansion.

The Chienta Industrial Corp bought into the Jiantai Rubber Plant in Shenzhen for \$10 million. Yang Yin-ming [2799 6892 2494], the chairman of its board of directors, said that he had first considered setting up the factory at Kunshan in Shanghai. But later, due to the 4 June incident and decisive solicitation by his partners, he finally decided to buy land in the inner suburbs of Shenzhen, on which the factory has now gone into official operation.

It took Yang Yin-ming three years to finally produce his first tire on mainland China. As far as some more impatient manufacturers and business firms were concerned, his overseas investment pace seemed a little too slow.

Yang Yin-ming said that "while a hasty decision certainly can get one there first, it can also cause quite an aftermath!" For instance, while setting up factories in Xiamen leaves some manufacturers and business firms closer to Taiwan, it also costs them higher shipping fees. While future direct shipping between Taiwan and mainland China could help to eliminate this defect, links among producer, intermediary, and supplier industries certainly cannot be established all in one step.

Wu Neng-ming [0702 5174 2494], chairman of the board of Kueimeng Enterprises, noted that as Shenzhen is close to Hong Kong, where banking and shipping are convenient, Shenzhen was the first foreign investment objective of he and his partners. Later developments proved that Shenzhen was an ideal site for setting up a factory.

A Taiwanese businessman named Ch'en, who makes hand tools in Kunshan, Shanghai, pointed out that as Shanghai is developed industrially and commercially, has highly skilled manpower, and is an international shipping hub, it is an ideal site for setting up a factory from an international economic perspective.

Yang Yin-ming also make the following remarks: Convenience factors in areas, such as raw materials acquisition, production, marketing, and shipping, all have an impact on factory site selection by manufacturers and business firms. In addition, decisions on plant sites in mainland China also affect personnel leisure. Taiwanese

businessmen and cadres in Shenzhen often go to Hong Kong on weekends and holidays for shopping and relaxation, which boosts their work morale, and has much more "added value" than being in places, such as Xiamen or Shanghai.

Some note that as human cooperation is important in setting up factories in mainland China, which is ruled mostly by man (as opposed to being ruled by law), some Taiwanese businessmen prefer human cooperation to geographic advantages. In fact, many Taiwanese businessmen note that as future human cooperation can be established through collaboration, coordination, and long-term contacts, the cooperation of Mainland Chinese officials is certainly an important factor in factory site selection by Taiwanese businessmen. Such cooperation is fundamental to correct analyses, evaluations, and choices.

[19 Feb 92 p 3]

[Article by Hsiung Ch'uan-hui (3574 0278 1979): "When Producer Industries Take the Lead, Suppliers Will Follow"]

[Text] The move to Mainland China by some Taiwanese shoemakers has had a great impact on the whole industry. Dongguan County in Guangdong Province is the main site of Taiwanese shoemaking factories, having already emerged as the new site of producer, intermediary, and supplier shoemaking industries.

An example of this is that the move to Mainland China by the Paoch'eng Industrial Corp brought along the whole shoemaking industry.

The Paoch'eng Industrial Corp is Taiwan's biggest shoe making and marketing company. It has engaged in technical cooperation by setting up shoemaking plants in Guangdong Province, two in Dongguan and one in Zhuhai, where it makes mostly U.S. brand athletic shoes, such as Reebok, Nike, and Adidas. Its plants in Taiwan still have 4-5,000 workers who make more expensive athletic shoes, while it has moved its production of less expensive ones to Mainland China.

A shoe mould maker from T'aichung County has also set up shop in Dongguan. Its owner, a Mr. Wu, said that "as the Paoch'eng Corp, my customer, has moved to Mainland China, I would have lost its orders if I had not followed!"

Not only shoe mould makers, but also shoemaking machinery manufacturers, have also followed the Paoch'eng Corporation to Dongguan. A shoemaking machinery manufacturer, Mr. Tai, who also has the Paoch'eng Corp as its customer, said that he also had to follow the Paoch'eng Corp to mainland China. These two manufacturers both admitted that the major reason why they had chosen Dongguan was that Paoch'eng had set up shop there. Mr. Wu said that the move was due not only to the industrial links, but that "as we often

bump into each other in Dongguan, just as if we were still in Taiwan, we certainly do not feel as if we are in a faraway land!"

Of course, during the PRC's decade of reform and opening up to the outside world, as Guangdong Province was developed sooner so has more advantages than other provinces, it more easily attracts foreign or Taiwanese investment. While Dongguan County is not an SEZ [Special Economic Zone], some Taiwanese businessmen note that setting up shop in Mainland China does not necessarily mean doing so in an SEZ.

A Taiwanese businessman named Hsiao, who has a food and drink equipment factory in Guangzhou, said that everything is more expensive in SEZs, including production costs. He said that while Guangzhou is not an SEZ, it is close to SEZs, so that setting up shop in Guangzhou enables one to enjoy peripheral advantages of the development of SEZs by the CPC authorities, such as more convenient communications and transportation than in other places.

While a certain printing and dyeing mill in the T'aichung region has not set up a factory in mainland China, it has set up a strongpoint in Hangzhou. Chi Chin-ch'iu [4764 6855 4428], its owner, says that as Hangzhou has an exceptional amount of designing talent, with better design quality than in Taiwan, many printers and dyers prefer to get their designing done in Hangzhou.

But as Hangzhou is not as open as the coastal zone, with less convenient transportation, printers and dyers certainly do not plan to set up mills there.

Yet other special industries are considering setting up plant sites in Mainland China, which is related to Mainland China's industrial distribution. A special adhesive tape manufacturer investigated Xian's investment climate at the end of 1991, but has still not decided whether he wants to set up shop there. He said that while communications are difficult in Xian, "most of Mainland China's munitions industry is located there." No manufacturers are willing to discuss such sensitive issue in detail.

In addition, a cardboard box factory has also followed many gift and art work makers to Guangdong. While the cardboard box factory is automated so does not need many workers, its operator's reason for moving to mainland China is also that "there are no orders to be gotten in Taiwan!" It is thus obvious that the move to mainland China by manufacturers is no longer due to simply labor-intensive advantages.

[20 Feb 92 p 3]

[Article by Liu Hsiu-chen: "Businessmen Are Flocking to Fuzhou and Xiamen in Expectations of Direct Traffic Between Taiwan and Mainland China"]

[Text] Certain Taiwanese businessmen, who have opted to invest in Xiamen and Fuzhou in anticipation of direct



traffic between Taiwan and Mainland China, already seem to be a little disappointed. Even though the government's persistent principle, that the three exchanges (exchange of mail, exchange of air and shipping services, and exchange through trade) can occur only on the basis of equality between Taiwan and Mainland China, has turned this hope into a case of being too slow to deal with the immediate crisis, Xiamen and Fuzhou still have other attractive advantages for Taiwanese businessmen.

The "large numbers of Taiwanese businessmen there" is the major reason why Chiang Jung-hua, chairman of the board of the Tuiyung Corporation, Ltd, chose to invest in Xiamen. While he set up a factory in the Xiamen SEZ that manufactures plastics ejection forming machinery, he did so only after first visiting other SEZs, such as Shenzhen and Shantou. When he discovered that land prices and wages were too high in Shenzhen, and that there were less Taiwanese businessmen in Shantou, he decided that Xiamen was "more suitable" in comparison. He said that "the strength of such numbers makes it less likely to get the worst of it in negotiations with parties in the PRC." Another advantage of Xiamen is that the Taiwanese dialect is spoken there, which Chiang Jung-hua noted makes things as convenient as in Taiwan.

Chang Liang-bin [1728 5428 1755], general manager of the Chiach'uan Industrial Corp Ltd, chose Fuzhou as the site for setting up his factory. While Fuzhou is close to Xiamen, wages there are 30 percent lower than in the Xiamen SEZ. Chang said that "setting up factories in Xiamen and Fuzhou must be viewed from the angle of export markets, because Fujian Province's many mountains make inland transportation a big problem, so that selling products on the domestic market is naturally not so easy!"

While Chang Liang-bin's first consideration in investing in Fuzhou was not the possibility of direct traffic between Taiwan and Mainland China, he did say that "direct traffic would certainly lower shipping costs between Taiwan and Mainland China by more than one-half!" And direct traffic would also sharply reduce the cost of commuting between Taiwan and Mainland China.

Generally speaking, some Taiwanese businessmen hope that direct shipping will be allowed between Xiamen and the port of Taichung for the following two key reasons: 1) The raw materials needed by most Taiwanese-invested factories in Mainland China come from Taiwan; 2) semi-finished products can be re-exported to Taiwan in line with the tactics of the Ministry of Economic Affairs of opening up to Mainland Chinese imports, and direct shipping will reduce the costs of Taiwanese investors in Mainland China.

Ho Ming-ch'e [0735 6900 3400] noted that while Xiamen's investment climate is not bad, transportation is its worst problem, and Xiamen's port facilities would not be suited to direct traffic opened up between Taiwan and

Mainland China. While he has set up factories in Guangdong and Fujian provinces that make wood and bamboo products, his survey of Xiamen's conditions, such as cargo shipping schedules and port services, found that almost none were suited to the needs of foreign investors.

In light of such examples, it is no wonder that Wang Yung-ch'ing [3769 3057 1987], chairman of the board of Taiwan Plastics Enterprises, had to set up special docks for his Haicang Project in Xiamen. Some Taiwanese businessmen in mainland China find it more convenient to ship goods to Shenzhen for export through entrepot trade via Hong Kong.

Taiwanese businessmen still generally choose plant sites mostly in the mainland Chinese coastal zone. After site selection, they then have to start applying for permits to build factories. From this point on, Taiwanese businessmen in mainland China begin to run into the problem of working with the CPC authorities.

[21 Feb 92 p 3]

[Article by Huang Shih-tse (806 0013 3419): "There Are Often Discrepancies Between Central and Local Policies"]

[Text] As scrap metal dealers are prohibited by the Environmental Protection Office from importing raw materials, they have often invested abroad, mostly in the past in mainland China. While Wu Wen-hsien [0702 2429 6343], a former director of day-to-day business of the Scrap Metal Association, speaks with lingering fear about investing in Mainland China, many dealers still make lots of money by investing there.

Ch'en Yu-cheng [7115 2589 2973], director of the Scrap Metal Association, said that Taiwanese investors in Mainland China must apply for business licenses to both the central and local governments. When Taiwanese businessmen apply only to local governments, they generally lose out when there are conflicts between central and local policies. Chang Jung-kuang [1728 2837 0342], a former director of the Scrap Metal Association, emphasizes that Taiwanese businessmen had best remain based in Taiwan because, as long as Taiwan-PRC relations remain irrational, investment in Mainland China is absolutely not "a paradise for Taiwanese investors," as claimed by the CPC.

Wu Wen-hsien, a former chairman of the board of the Huipin Industrial Corp who has invested in scrap metal retrieval in Mainland China, said that Taiwanese investors in mainland China had best make objective evaluations to keep from losing their capital. His investment experience in Mainland China is clear proof of this.

Wu Wen-hsien spoke as follows: Mainland Chinese policies vacillate, with governments at the central, provincial, and local levels often making differing provisions, which leaves manufacturers and business firms in futile and senseless traps. Moreover, Mainland Chinese

government functionaries do not deal with matters in an active way. Unless Taiwanese businessmen do them certain favors, many cases lie idle. Even import-export operations or exchange transactions contain traps.

There are frequent reports of other problems, such as poor public order and theft. Unless Taiwanese businessmen hire security guards, even their production equipment is likely to be stolen.

Foam-laminated silk fabric manufacturers are full of confidence in Mainland Chinese investment. Huang Kuang-hsiung [7806 0342 7160], manager of the Hsian-hsiung Company, spoke as follows: The cheap labor on Mainland China provides the best investment climate for ordinary manufacturers. Moreover, Taiwanese investors in Mainland China do not have language difficulties with the workers they hire. As the manufacturers that we supply, such as athletic shoe factories and ski glove sewing shops, all need many workers, they could not basically retain their market competitiveness by staying in Taiwan, at Taiwan's current wages, instead of investing in Mainland China.

Another Taiwanese businessman who has invested in making tennis rackets in Mainland China spoke as follows: While most Taiwanese investors in mainland China receive orders for their goods from Hong Kong or Taiwan, so are busy every day keeping in contact with Taiwanese companies by telephone, Mainland China's communications system is poor, so that it has often taken one to two hours to get one call through. This problem has already been solved. As long as a Taiwanese investor acts forcefully, he can make direct phone contact with Taiwan from Xiamen and the coastal zone of Mainland China.

[22 Feb 92 p 3]

[Article by Ho Shu-chen (0149 3219 6297): "When Submitting Investment Applications, All Documents Must Be Prepared in Full"]

[Text] As the PRC uses a different economic system than Taiwan, its investment laws and decrees sometimes seem quite complicated to Taiwanese businessmen. When they first invest in Mainland China, many Taiwanese businessmen do not know the ropes, and are unfamiliar with the business responsibilities and subordinate relations of the various CPC organs, so waste both time and money.

Under such conditions, many Taiwanese businessmen simply hire lawyers to negotiate investment arrangements. Ch'iu Chang [6726 1757], a Chinese American lawyer, has been hired to submit investment plans in mainland China.

While Taiwanese businessmen can invest in Mainland China in either joint ventures or wholly foreign-owned enterprises, certain Taiwan-PRC cooperative relations are limited to trade, where factors, such as billing and commissions, differ.

When investing in setting up factories, Taiwanese businessmen must naturally first find plant sites, then sign "letters of intent" and "feasibility evaluation reports," which clearly list planned investment types, funding, machinery, and production capabilities, and finally submit these to local MOFERT units for examination and approval.

When investment amounts are within the examination and approval jurisdiction of local MOFERT units, it can be learned very quickly whether applications will be approved or not. But when they exceed the examination and approval jurisdiction of local MOFERT units, and applications must be sent to Beijing for verification, Taiwanese businessmen are likely to have to wait three-five months to find out whether their applications will be approved. However, applications for wholly foreign-owned enterprises are approved in an average of 45 days.

As investment approval jurisdiction for each area is not definite, it most likely differs according to local foreign investment conditions and by province. For instance, the maximum approval jurisdiction per application of the Shanghai government is approximately \$20 million.

Additional joint venture application procedures are roughly as follows: First, a "Chinese" partner is chosen, and both sides make an initial decision on the joint venture capitalization. Then, the "Chinese" partner submits a planning document for approval, a contract is signed, company regulations are drawn up, a meeting of the board of directors is held to set the amount of capital, and applications are made to local MOFERT units for industrial-commercial registration and business licensing.

Miu Hsin-wu [4924 2450 0710], a former vice chairman of the board of the Chunghsing Textile Company who handled the planning for a joint venture between the Chunghsing Textile Co and the Shanghai No 9 Knitting Mill, said that the reason why the "Sanqiang Clothing Company" received its industrial-commercial registration and business license the day it applied, was that the Chunghsing Textile Company had prepared all documents in full when submitting its applications.

Miu Hsin-wu spoke as follows: While many Taiwanese businessmen think that it is faster to try to avoid procedures on Mainland China, and even consider doing so when submitting applications, this was not my experience. "When submitting investment documents to the PRC authorities, all items in reports must be written out in full detail."

Lawyer Ting Mao-sung [0002 2021 2646] also advises Taiwanese businessmen who are planning to or already have invested in Mainland China that, while Mainland China is a society that is ruled by man, Taiwanese businessmen should still act there according to the principle of honesty. He says that when reaching and signing agreements, they should "speak and write clearly," so that they will have something to stand on if the CPC changes its policies.

The Chienta Industrial Corporation, which has already set up a plant on Mainland China, has acted very cautiously. Its director said that at a government held forum, it asked that the Investment Office or the Taiwan-PRC Exchange Foundation collect samples of letters of intent, evaluation reports, and contracts from all PRC provinces and trades, to be categorized as examples for reference by manufacturers and business firms.

[23 Feb 92 p 3]

[Article by Liu Hsiu-chen: "Local Relations Must Be Handled Well in the Plant-Building Stage"]

[Text] While Taiwanese investors in Mainland China may undergo tough procedures in applying to the CPC authorities, their troubles really begin when they reach the stage of preparing for factory construction. While it may seem that "all is ready except what is crucial," and that as long as Taiwanese businessmen give the orders, new factory buildings will appear on schedule, just waiting for the machinery to go into operation, this is actually not so.

Shen Yu-hsueh [3088 2589 1331], the deputy general manager of the Shenghsing Trading Corporation, has very deep feelings about this. He decided three years ago to build in Mawei, Fujian a rolling stock plant, which finally went into operation only at the end of 1991. During this time, he was able to return for a week to Taipei only an average of once every three or four months. When asked why he had so busily commuted back and forth between Taiwan and Mainland China, he replied simply that "as there were so many indefinite factors involved in the plant construction, if I had not taken personal command, I was afraid that problems would drag on and on to never be solved."

While Mawei might have been considered an SEZ, as it was already roughly equipped with many infrastructures, such as land for building factories and roads, Shen Yu-hsueh says that "applying for and acquiring other services, such as industrial water and power, and telecommunications connections, were where the real problems arose!" Thus, he had to maintain good relations with concerned local officials. In short, he had to "handle local relations well." Dealing with such problems considerably aged Shen Yu-hsueh.

P'eng Tsung-hsin [1756 1350 0207], general director of the Skilled Worker Business Association, closed his glass products factories in Taipei in 1990, invested in Guangdong and Shanxi, and now has five factories in Mainland China. He spoke as follows: "Those who set up wholly foreign-owned enterprises generally run into more difficulties, encountering problems not only in the process of acquiring industrial water and power, but sometimes even finding it a headache to make road connections to the outside!" Thus, I used the joint-venture approach, letting the Mainland Chinese side handle the matter of infrastructures outside of the factory zone.

Another matter worth noting is that P'eng Tsung-hsin made especially sure that the contracts he signed with mainland Chinese parties stated clearly his funding limits for factory expansion. This ensured that even if he used rebuilt existing mainland Chinese factory buildings, his investment would not become as uncontrollable as a bottomless pit.

Li Yuzhang [2621 3768 4545], affiliated with the Legal Affairs Office of the PRC MOFERT, suggests that Taiwanese businessmen had best state clearly in contracts that "after factories are set up, the Mainland Chinese side must be responsible for matters, such as raw materials supply and water and power connections." This will resolve peripheral infrastructure problems when undergoing application procedures. In setting up a clothing factory in Xiamen, the personal experience of Chang Wen-fang [1728 2429 5364], an assistant manager in the Yit'e International Shareholding Corporation, Ltd, was that while the CPC authorities had readily agreed at first to provide two phone lines, he found out later that he still had to stand in line to wait for them. As this was too slow for his needs, he had to pay extra to acquire a phone hookup without waiting.

When first investing in Mainland China, some Taiwanese businessmen like to compare the number of official stamps on their application documents. While it may seem that the more stamps the better, and the faster they are acquired the more resourceful the applicant, unless investors go through all key links necessary to the factory establishment process, they are still likely to find themselves with "neither water or power" after the factory is built, no matter how complete their procedures may have seemed.

[24 Feb 92 p 3]

[Article by Wang Jui-t'ang (3769 3843 1016): "The Best Way Is To Spend Money To Get Through the Key Links"]

[Text] All Taiwanese entrepreneurs who have gone to Mainland China to investigate markets or set up factories are likely to agree that Mainland China has a society with an extremely high degree of "rule by man." Investing in factories or doing business under such conditions means "dealing with people" and establishing strong personal relations, in order to have a smooth investment process and keep from wasting money.

Chao T'ung [6392 6639] is in charge of a factory that specializes in making leather handbags and briefcases for export. Seven years ago, he took notice of Mainland China's cheap land and labor and vast consumer markets, so invested in a factory in Shenzhen.

Chao T'ung remarks that all of the particulars of setting up a factory in Mainland China, all the way from buying land, building factories, signing contracts, hiring workers, and managing production to shipping and marketing, are often handled differently according to various criteria that differ based on the persons being dealt with.

These particulars have a great impact on whether Taiwanese investors in mainland factories earn money or not.

Chao T'ung says that "in order to establish relations with those worth knowing, spending money or sending gifts is unavoidable."

Chao T'ung emphasizes that "especially for a small- or medium-sized enterprise like mine that does not have the resources of a Wang Yung-ch'ing, such niceties are even more necessary, in order to earn money from running a factory in Mainland China."

But in order to meet or further establish relations with people who can help one's operations, one must expend a certain amount of time and effort to get what one wants. Chao T'ung said that "in the beginning, I met CPC officials or those responsible for companies through interview groups."

Chao T'ung then met more Mainland Chinese officials and those responsible for companies through carrying along catalogs of his factory's products and proof of his export achievements. In order to establish more dependable and effective personal connections, Chao T'ung very carefully observed the "customs" of his contacts, and looked up their addresses.

Chao T'ung gave mainland Chinese officials or those responsible for companies many gifts, such as Rolex wristwatches, motorcycles, TVs, washing machines, and his company's products.

Chao T'ung's view is that if mainland Chinese officials are willing to help, he can reduce his costs by 10 percent. As the money spent giving gifts is only 2-3 percent of this savings, it still pays pretty good.

When discussing giving gifts to get through key links and establish personal connections, Yang Lu [2799 7120], an enterprise manager from Yunlin County who does not want to set up shop in Mainland China but buys raw materials there, spoke as follows: Investing and doing business in Mainland China means depending on help from people in many places. When I first went to Mainland China, I did not understand the situation of CPC officials or my contacts. I had to make frequent inquiries before I finally learned the ins and outs of doing business there.

Yang Lu emphasizes the following: In order to meet CPC officials or others who can help one's operations, it is necessary first to understand the system of local government in the PRC, so as to learn who are the key people. I think that this is a transition period for the gradual opening up of the PRC economy.

[25 Feb 92 p 3]

[Article by Chang Han-ch'ing (1728 1383 7230): "Poll Taxes Drive Up Labor Costs"]

[Text] Some Taiwanese investors in Mainland China have recently been tasting to the full the bitterness of

paying "poll taxes" for workers from other provinces in Mainland China. As large numbers of workers from other provinces have been pouring into Fujian and Guangdong, Mainland China has stipulated that all who hire workers from other provinces must pay "poll taxes" of 20 RMB a worker per month.

Liu Fu-t'ang [0491 4395 1016], general manager of the Yushih (Young Lions) Footwear Corporation, spoke as follows: As there are fewer local people and more mobility in the Guangdong region, most operators there hire workers from other provinces. In my factory, 90 percent of the workers come from other provinces.

Liu Fu-t'ang said that it is a heavy burden on businesses to have to pay a 20 RMB poll tax on every worker.

Chuang Shu-chen [8369 3219 3791], an assistant manager at the Xiamen branch of the Weili Corporation, says that as workers in the Xiamen region are more disrespectful and harder to manage, most Taiwanese businessmen there hire workers from other provinces.

Ts'ai Yu-ch'eng [5591 5940 2052], general manager of the Hsinkao Plastics Corporation that has invested in Fuzhou, says that as workers in coastal provinces take many "petty actions," and often trust government officials to speak for them, not showing due respect for the feelings of government officials would make it very hard to operate, and would create many difficulties.

The unofficial word is that the CPC, in order to practice a stable labor policy and solve the current problem of workers creating urban population chaos by crossing provincial borders in search of work, has stipulated that Taiwanese businessmen who hire workers from other provinces must pay a poll tax of 20 RMB per worker.

But operators have differing views on this matter. One says that the CPC's collection of poll taxes is actually a covert way to drive up labor costs. Otherwise, where could workers be found when there are local shortages?

Another doubts this. He says that as workers from other provinces lower the quality of welfare in urban districts, the CPC has to collect these taxes from Taiwanese businessmen to keep up the level of welfare.

These operators all note that the cost of poll taxes must be absorbed by operators on their own, and cannot be reflected in quoted prices. Ts'ai Yu-ch'eng says that as footwear production by Taiwanese businessmen already suffers from supply being greater than demand, it is certainly not easy to raise per-unit prices.

Chuang Shu-chen also notes that while the U.S. shoe market is in recession, it is beyond the control of operators to include poll taxes in costs.



Ts'ai Yu-ch'eng suggests that Taiwanese businessmen should first find out whether poll taxes are being collected by law, and whether other areas are also collecting them, before they contest them with the CPC.

Liu Fu-t'ang also emphasizes that as laws and decrees vary from place to place in mainland China, operators had best consult with each other about local conditions.

[26 Feb 92 p 3]

[Article by Hsiung Ch'uan-hui: "While Workers Are Easy To Find, They Require a Lot of Care"]

[Text] A Taiwanese manufacturer of Christmas lights and ornaments followed the shift of his industry to Mainland China in 1991, by setting up a factory in Bao'an County, Guangdong Province. Once the factory was built, he put up a recruitment notice at its main gate. The next day, the street in front of the factory was packed like sardines with job applicants. While he needed only 100 workers, 500 came to apply.

This operator, a Mr. Chang, spoke as follows: When the Mainland Chinese side's nominal chairman of the board came that day to find me, he could get in the door only after the enterprise cadres had opened up a path with wooden clubs. As factories operated by Taiwanese businessmen in Mainland China provide job opportunities, they are welcomed by mainland parties. Many young people from inland provinces, who hear about such job openings in Guangdong Province, make long and difficult journeys to try their luck. Most of the workers currently being hired by Taiwanese operators on mainland China are youths from Hunan, Sichuan, and Hubei provinces, who average only 18 years of age.

Right after the 1992 Spring Festival, large numbers of inland workers poured into Guangdong Province, creating a "surging tide of workers." While some of them were workers returning to their jobs, others were new arrivals to Guangdong, who were looking for work in factories that "provide room and board," and who would send most of their wages back to their families in the interior. The mainland Chinese media referred to these jobseekers as being part of an "unchecked mobility" (a coy play on the Chinese term for "hoodlums").

Some of the applicants at the abovementioned Mr. Chang's factory were part of this "unchecked mobility," some were relatives of factory workers, while yet others were trying to change from jobs in other factories. Mr. Chang said that as all Taiwanese operators on Mainland China generally provide their workers with free lunches, dinners, and dormitories in which to live, it is no wonder that some youths, who have trouble even getting enough food and clothing in inland rural areas, run off to Guangdong.

Ch'en Chih-ming's [7115 1807 2494] factory makes ceramic objets d'art, and 99 percent of its workers are from inland provinces, with only management cadres being from Guangdong. Ch'en Chih-ming said that as

some Guangdong people think that factory wages are too low, so run off to SEZs or more open cities to work in service trades, Taiwanese operators on Mainland China are forced to hire inland workers.

Ch'en Chih-ming notes that while hiring inland workers means paying poll taxes and making other arrangements, as inland workers are more easily managed and work for lower average wages, they bring cost savings to Taiwanese operators on Mainland China.

It has become the trend for workers in coastal factories to come from inland provinces. Ch'en Chih-ming says that "in addition to seeking better living conditions, I hope that they will also acquire a better understanding of their life goals." It is thus obvious that Taiwanese operators on mainland China have to exercise more care in managing Mainland Chinese workers.

[27 Feb 92 p 3]

[Article by Yu Chun-hua: "A Military-Style Management Must Be Practiced To Get a Good Return"]

[Text] As some Taiwanese investors in Mainland China manage their local workers in a military style, Taiwanese cadres in factories have become "a minority nationality." The rationale for practicing this type of management is that as Mainland Chinese workers lack modern social concepts, only military type management can result in goods being delivered on schedule, products being of better quality, and profits being made.

Businessmen personally pouring tea and entertaining guests are very common courtesies in Taiwan. But when I visited a bicycle parts factory in Longhua, Shenzhen, I discovered that shouting at workers to "pour the tea!" had become the only way that Taiwanese businessmen could put on a show of force to make their workers work. What amazed me was that these workers did not even know that once the tea had been drunk, they were supposed to pour again, so had to be shouted at again by the Taiwanese businessman.

As this firm had only one permanent cadre, its Mainland Chinese workers were apt to make trouble unless they were managed with military methods. This businessman said that while Mainland Chinese workers do not necessarily make trouble on purpose, they sometimes have to be told to do a job two or three times before they understood, which is very tiring for Taiwanese businessmen.

Some Taiwanese businessmen do not understand this management style when they first arrive in mainland China, but begin to use a military type management after asking advice from other Taiwanese businessmen. While some try to use a milder management style after a time, they find it impossible.

Mr. Wang, the manager of a leather handbag and briefcase factory in Dongguan, Guangdong, spoke as follows: Several strikes have occurred among Mainland Chinese

workers in Taiwanese factories in Guangdong. My company skillfully resolved a possible strike in the first half of 1991.

Manager Wang went on as follows: My factory manufactures imported materials for re-export. As there was not a steady supply of materials, so that production lines were always starting up and then shutting down, my Mainland Chinese workers were not making as much money as they had expected to, so wanted to strike. When some workers notified me that they were going on strike, I posted a notice on the bulletin board, stating clearly that I would fire strikers and report them to the public security (police) office, which put an end to that.

Yang Yin-ming, chairman of the board of the Jiantai Rubber Plant in Shenzhen, spoke as follows: While managing Mainland Chinese workers with military style methods was right during the initial stage, we must still basically treat our workers humanely, in order to keep from arousing worker resentment over high-pressure methods. Our standard should be to "be strict but not severely so."

Yang Yin-ming noted the following: In the interests of smooth production operations, Mainland Chinese workers from any particular area should be spread out, preferably with workers from various provinces being put together, so that workers from any particular area do not get together and make trouble. Groups of workers from any particular province should be broken up and assigned to different production lines, in order to keep workers from any particular area from becoming disgruntled and keeping a whole production line from operating. In the interests of coordinated living conditions, there is no harm in putting workers together in dormitories.

[28 Feb 92 p 3]

[Article by Hsiung Ch'uan-hui: "Actions Speak Louder Than Words in Teaching Proper Manners"]

[Text] At lunch time in a Taiwanese factory in the Shenzhen SEZ, Guangdong, workers holding small round bowls made of galvanized aluminum line up waiting for factory cadres to pass out the food. The Taiwanese manager of this factory, a Mr. Ho, said that "while these workers have been here for just six months, they all have already gained weight."

The workers provide their own small round bowls that are about 20 cm in diameter, which are first filled with rice, on which other courses are then placed. The meals are contracted with a local Shenzhen restaurant, with each one coming in three courses, i.e., streaky pork, vegetables, and either peanuts or tofu, with a regular additional course of stir-fried hot peppers. As most workers hired by Taiwanese businessmen in Shenzhen come from Hubei, Hunan, and Sichuan, hot peppers are a comfort to keep them from getting homesick.

The Taiwanese businessman, Mr. Ho, spoke as follows: These inland workers certainly had bad habits at first that had to be trained out of them. They would drop food all over the place when eating, bump into people rudely when walking, and not pay attention to personal hygiene. One of their good habits was that, in addition to sending home most of their pay, they always kept enough to buy ribbons and bows to wear.

This Taiwanese businessmen eats his meals at the same table with his company cadres in the factory office building. Most of these cadres are local Guangdongers who earn slightly higher wages than the workers. When the faster eaters leave the table, they say to the others courteously, "please take your time." Mr. Ho said that he had also trained them to do this.

Actions speak louder than words in dealing with mainland Chinese workers. Not changing workers' habits, words, and deeds by example would make it even harder to deal with them. Ch'en Chih-ming also had a similar experience.

As Ch'en Chih-ming's factory makes gifts and objets d'art, it needs many workers. Ch'en Chih-ming requires all of his workers to say good morning to him the first time they see him every day. While they were all very unaccustomed to and often had trouble with this at first, they have gradually learned that such courtesies are a necessary part of the work environment.

Ch'en Chih-ming spoke with feeling as follows: "Just think about it! A 17- or 18-year-old young lady who comes from Sichuan to Guangdong in search of work knows very little. In addition to taking home money when she returns home to visit her family on New Year's Day or other holidays, I hope that she will also take along slightly improved manners."

Taiwanese businessmen may actually be able to have only a very insignificant impact in striving to change such large numbers of mainland Chinese workers through teaching by either example or word of mouth. Ch'en Chih-ming spoke as follows: "In fact, some Taiwanese businessmen do not even want to. They think that, as they are so busy managing production, where could they find the time to deal with such trivial matters of daily living?"

But Liu Shu-chin [0491 3219 6930], who has a factory in Xiamen, notes that this all depends on the willingness of Taiwanese businessmen for, once they begin, it is certainly not difficult. Mr. Ho, the Taiwanese businessman, spoke as follows: Once inland workers have worked in coastal zones for a time, they are likely to be influenced by the more open climate and acquire a new mindset. I hope that they will make both internal and external changes, in order to turn themselves into "people from open zones." There is not only a huge economic gap between inland and coastal zones, for these examples of dealing with workers' daily lives show that it will take many more years of work for mainland China to make overall progress.

[29 Feb 92 p 3]

[Article by Liu Hsiu-chen: "Care Must Be Taken To Keep Workers by Recruiting in All Forms"]

[Text] While manpower resources are the biggest problem for manufacturers and business firms that invest abroad, managing workers depends even more so on the successful operation of nearby factories. Taiwanese investors on Mainland China are no exception to this. Training mainland talent to manage local workers has become a very common style.

Chang Shao-ta [1728 4801 6613], has a factory in Xiamen, Fujian that manufactures steel rings for automobiles. When he first set up the factory, he drew up a clear blueprint for the factory management. He first recruited 60 college graduates from Xiamen or nearby, trained them, and helped them to each rent duplex apartments. Consequently, these 60 trained students naturally became the "seeds" of his company, after which Chang Shao-ta no longer basically needed to worry about where to get cadres.

In fact, he gave much thought to the entire process. For instance, the people he recruited had to be recent college graduates. This meant that they would be more flexible, because they had not spent very long mixing with public "attitudes." And he provided them each with apartments in which to live, in order to win their "hearts," because it is actually very difficult to find even a room in which to live on Mainland China at present.

But one pattern can not necessarily be applied to other industries. While Mr. Kuo, a Taiwanese investor in a textile mill in Shanghai, needed low-skilled workers, college graduates generally think that "as we are in the category of technician scientists, how can we do merely mechanical work?" In addition, the skills that such workers need to be proficient in can sometimes be provided only by workers from neighboring state-owned factories. A number of such factors made it hard for Mr. Kuo to find suitable workers according to his original ideas. On the other hand, workers from other provinces were suited to the factory's many demands.

Varying worker quality makes Taiwanese businessmen rack their brains, as well as making it even harder for them to control factory production efficiency. Mr. Kuo spoke as follows: What made the deepest impression on me was that once, when I was on an inspection tour of a

production line with the factory manager, the workers kept on chatting even when they saw the factory manager coming, and basically did not obey the manager's orders to get back to work. Such things lead to my estimate that factory production efficiency in mainland China is only about 30 percent of that in Taiwan.

Another problem is that some workers are Communist party members, who often ask for time off to attend outside group meetings. Only after Taiwanese businessmen insist that such meetings be rescheduled are such irregular requests for leave stopped.

P'eng Tsung-hsin, general director of the Skilled Worker Business Association, spoke as follows: As I have come to the profound understanding that "factories cannot operate normally unless workers are managed well," I pay bonuses as incentives to keep hardworking Mainland Chinese workers in my factories. In the five glass-works that I have invested in in Guangdong and Shanxi, all cadres must make weekly work reports. "This was the only way that I could confidently turn the management work over to Mainland Chinese cadres!"

#### **Canada's Trade Deficit With Taipei Increases**

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23 Apr 92*

[Text] Ottawa, April 22 (CNA)—Canada's exports to Taiwan dropped 24 percent in the first two months of this year, according to figures released by Statistics Canada, a federal government agency.

Imports from Taiwan, on the other hand, registered an increase of 10.7 percent, to 435 million Canadian dollars (\$368 million) in the January-February period.

The two-way trade totalled 556 million Canadian dollars (\$470 million), a negligible increase of 0.6 percent over the correspondent period of 1991.

With its export strength weakened by recession, Canada sold 120 million Canadian dollars' worth (\$102 million) worth of merchandise to Taiwan in January and February, representing a decrease of 24 percent over the year-earlier period.

With Canada's exports down, the trade gap widened to 314 million Canadian dollars (\$265 million), compared with the 233 million Canadian dollars (\$197 million) recorded in the first two months of 1991.

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